MEMORANDUM

To: Housing and Community Development Committee

From: Jeff Staudinger, Community Development Director

Date: April 15, 2010 and September 23, 2010

Subject: Staff Report on Affordable Housing Advisory Committee

Summary: As a result of the work of the Mayor's Affordable Housing Task Force, the Asheville Affordable Housing Plan was accepted by the Asheville City Council in June, 2008. Since that time, some members of that group have continued to work with City staff to advance the recommendations made in that plan. In April, 2010 the group proposed that the City establish a formal Affordable Housing Advisory Committee. They now wish to continue that discussion with the HCD.

Review:

Many communities in North Carolina and nationally provide for a formal mechanism for citizen input into their community development processes, usually in the form of an advisory committee. While Asheville has established citizen advisory committees for other purposes (SACEE, for example), it has not established one for community development or affordable housing.

Regardless, a committed group of citizens and housing advocates have been meeting on a monthly basis- with city staff support- to advance the recommendations made in the Affordable Housing Plan.

This group wishes to continue their commitment, and do so in a way that will define the process for the consideration of their input. While the HCD has proven to be very receptive to the groups input, and has committed to advancing elements of the Affordable Housing Plan, it has become clearer to members of the ad-hoc committee that a formal group would probably be more effective.

From staff's perspective, this would be a positive way to further elicit citizen input, retain the counsel of those who understand and are passionate about affordable housing, and increase staff, HCD and City Council knowledge about affordable housing issues.

Their proposal is attached.

Action needed: HCD consideration of the affordable housing working group's proposal, for further recommendation to the Board and Commission Committee of City Council.

Proposal for an Affordable Housing Advisory Committee

History:

In 2007, the Mayor gathered a broad community study group to address the issues of housing affordability in Asheville. The group met for several months and submitted a comprehensive Affordable Housing Plan for the City of Asheville, which was accepted by the Asheville City Council on June 24, 2008. Since then a working group has been meeting with City staff to develop specific implementation steps, including amendments to the UDO, Housing Trust Fund, and other key strategies.

To reinforce the priority of affordable housing in the City of Asheville, and to ensure a voice for representatives of a broad range of community groups, we propose to transform the working group into the Affordable Housing Advisory Committee, with specific duties to advise the Mayor, the City Council, the Housing and Community Development Committee, and City staff.

Purpose of the Joint Advisory Committee:

Through a public-private partnership, the Affordable Housing Advisory Committee will work in conjunction with City leadership and staff to implement the 2008 Affordable Housing Plan. The specific functions will be –

- To advocate for and develop concrete action steps to implement the Affordable Housing Plan, and to update that plan as appropriate over time.
- To advise City leadership and staff regarding affordable housing priorities for the Housing Trust Fund, the Community Development Block Grant program, the HOME Program, and General Fund housing investments.
- To advise City leadership and staff on how specific housing development proposals fit within the goals and priorities of the Affordable Housing Plan.

Membership:

The Affordable Housing Advisory Committee should not exceed 12 members and should include, at a minimum –

- A non-profit developer of affordable housing
- A for-profit housing developer
- An affordable housing advocate
- An architect
- A real estate agent
- A neighborhood association representative
- A resident of affordable housing
- A representative of the housing authority
- A representative of the private philanthropic community
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We believe that this structure will ensure a broad community voice for affordable housing, and look forward to discussing it further with City leadership.

MEMORANDUM

To: Housing and Community Development Committee

From: Jeff Staudinger, Community Development Director

Date: September 23, 2010

About: Amendments to the 2009 and 2010 Annual Action Plans

Summary: When projects approved for CDBG or HOME funding change, the Annual Action Plan that detailed the project must change. One 2010-2011 CDBG Project has changed sufficiently to warrant an Action Plan amendments. Additionally, a few small clarifications need to be made in the 2010 Action Plan.

The HOME program also has one 2010-2011 HOME Project, and one 2009-2010 HOME project needing amendment. These will be on the Consortium's agenda for their September 28, 2010 meeting.

Review:

CDBG:

1. Beulah Chapel Drainage Project: The project was approved for $50,000. No change in activity or beneficiary is proposed. The project was originally going to be carried out by the Eagle Market Streets Development Corporation (EMSDC). EMSDC's willingness to do this was much appreciated; however, the City Public Works Department has now determined that this project can be done in-house more cost effectively. The 2010-2011 Action Plan change would reflect that the City of Asheville will now be responsible for the project. This appears to meet the definition of a "Substantial Amendment."

HOME:

1. Asheville Area Habitat for Humanity was granted $100,000 of HOME funds in the 2010-2011 Action Plan to support hard costs for a new housing development on Dennis Street in Swannanoa. The site is located near to Interstate 40, and without significant and costly noise mitigation does not meet minimum noise standards to meet HUD environmental regulations. Staff has proposed that these funds be transferred to support hard development costs in the Habitat Brotherton project, on the condition that Habitat complete the Dennis Street project without HUD funds, and with the agreement of Buncombe County and the Consortium that these funds be allowed to be used for a project in Asheville. This change will require a Substantial Amendment.
2. The Community Housing Coalition of Madison County (CHCMC) was granted $50,000 of HOME funds in the 2009-2010 Action Plan as a CHDO for the construction of single-family housing. CHCMC has not been able to perform this activity, and therefore are relinquishing this grant; CHC is receiving technical assistance through the USDA grant,

and expects to bring forward development projects in the future. This change meets the definition of a Substantial Amendment.

3. Clarifications: 1) No contingency amounts were published in the project table. A contingency of $44,958 in CDBG funds and a contingency of $690 in HOME funds would be added to the table. These changes are not substantial amendments.

Actions Needed: Staff request that the HCD recommend that City Council amend the Action Plans.

Excerpt from the 1999 Citizen Participation Plan

Amendment of the Consolidated Plans

Minor and technical amendments to consolidated plans may be made without seeking citizen participation, however, the following are considered substantial amendments:

a) Addition of a new activity or new priority
b) Cancellation of an activity or deletion of a priority
c) A change in the nature of an activity, its location, or its target population, such that different persons will be impacted by it.
d) A change of more than 50% in the amount of funds allocated to an activity.

The City Council must approve all substantial amendments. Notice of the proposed amendment will be published for comment at least 30 days before it is to be approved, and a public hearing will be held during or at the end of the comment period.

Exceptionally, amendments of an urgent nature may be made after a shorter comment period.

MEMORANDUM

To: Housing and Community Development Committee

From: Jeff Staudinger, Community Development Director

Prepared By: Randy Stallings, Community Development Analyst

Date: September 23, 2010

Subject: Fee in Lieu Calculation

Summary: As part of a larger policy discussion about the provision of affordable units pledged in exchange for density, the Affordable Housing Working Group (AHWG) has recommended that developers be allowed to pay a fee as opposed to providing affordable units on site. There is currently no requirement that affordable housing must be provided in a new development; however, if the developer offers affordable units in exchange for conditional zoning, a "fee-in-lieu" payment is another mechanism by which the City can achieve its affordable housing goals.

Background: A preliminary discussion was heard by City Council at a work session in October, 2008, and the right of developers to pay a "fee in lieu" of producing units in their development was supported in principal. No further action was taken at that time.

AHWG is recommending that the amount of a "Fee-in-Lieu" payment be determined using the Public Housing Development Cost Limits as outlined in the U.S. Department of H.U.D. Office of Public and Indian Housing Notice no. PIH-2010 (HA). A copy of the PIH standards is attached to this report. In the attachment, "HCC" represents the hard construction cost limits (bricks and mortar expenses) and "TDC" reflects the total development cost limits inclusive of land acquisition and soft costs. The PIH development cost limits in this model are applied in the construction of new public housing units. The TDC limits for Detached/Semi-detached and Row House (multifamily) properties are those under consideration as the basis for fee-in-lieu payments to the City of Asheville.

The AHWG supports the fee-in-lieu option with the following four criteria:

1. The City should accept fee-in-lieu payments; however, the desire is to see affordable units built on site thus supporting the goal of creating mixed-income housing developments.
2. All fee payments should be placed in the Housing Trust Fund and administered according to the current policy guidelines. The fee-in-lieu income should not be viewed as a substitute for the annual appropriation.

3. The fee should be high enough to encourage on-site development and should be sufficient to produce a comparable affordable unit at another site.
4. The fee should be re-evaluated on an annual basis to ensure it remains reflective of market realities.

The PIH standards are calculated using an average of the R.S. Means cost index for construction of "average" quality and the Marshall & Swift cost index for construction of "good" quality. Both of these indices are reliable indicators of current construction costs for market rate construction; however, the total development cost limits may be somewhat higher than would typically be seen on an affordable housing development (where fewer amenities are incorporated in the project and land is usually acquired at a lower cost per acre).

Discounting the PIH standards to arrive at a fee-in-lieu standard for the City was discussed as a possible alternative but the group felt that to do so would mask the true cost of construction in the Asheville metropolitan area. The AHWG recommendation is that the following fee structure be adopted for all future fee-in-lieu payments:

Proposed Fee-in-Lieu Payments (Per-unit)

Structure	1-BR	2-BR	3-BR	4-BR
Detatched/Semi-Detached	161,229	183,192	217,145	255,306
Row House (Multifamily)	134,283	161,656	196,020	233,653

Pros:

- The establishment of a fee-in-lieu standard will provide a framework for accepting fee payments and will directly result in the production of affordable units.
- The fees as proposed are high enough to encourage onsite development of affordable units.
- Acceptance of fee-in-lieu payments may increase the available balance in the Housing Trust Fund and will ensure that these funds are used subject to established guidelines and with public transparency.
- Accepting fee-in-lieu income is consistent with addressing the City's strategic affordable housing goals.

Cons:

- ? Accepting a fee-in-lieu payment, instead of requiring that units be built within the development, does not further the goal of mixed-income housing throughout the City.
- ? If the fee-in-lieu option is used too consistently, it could result in inordinate concentrations of high-end housing.
- ? Current economic trends would indicate that a consistent revenue stream from fee-in-lieu payments is not likely, and these fees should not be seen as a dependable source of revenue for the HTF, at least in the near future.
- ? The proposed fees appear to be higher than the actual development costs of affordable units, and may be seen as overly onerous by developers.

Fiscal Impact: The Housing Trust Fund balance will be increased proportionately by the amount of each fee payment.

Recommendation: Staff recommends that the fee payment structure for fee-in-lieu payments be approved.

Attachments:

U.S. Department of H.U.D. Office of Public and Indian Housing Notice PIH-2010 – 20 (HA)

2010 Unit Total Development Costs (TDC) Limits