

WORKFORCE HOUSING INCENTIVE POLICY FOR RENTAL DEVELOPMENT

Buncombe County recognizes that affordable housing opportunities for all segments of the community is an important part of developing and maintaining a healthy economy, and is a high priority for our county leaders. The difficulties working families face in obtaining a safe affordable place to live in our area has given rise to the need to create additional incentives for the private and non-profit sector to develop affordable workforce housing.

Workforce Housing Defined

Workforce Housing refers to housing that a family with an income of up to 140 percent of Area Median Income (AMI) can afford without spending more than 30 percent of their income in mortgage payments (including insurance and taxes). Those families with an income of 140 percent AMI and less are the low and moderate income families in Buncombe County. Workforce housing is housing intended to appeal to the backbone of our community: police officers, nurses, teachers, medical technicians, office workers, etc. These jobs provide a wage that does not qualify workers as low income, but renders it difficult to obtain adequate housing in the Asheville/Buncombe market. The population identified as the “workforce” in need of assistance are those families with an income between 80 percent and up to 140 percent of the County median income, or between \$44,300 and \$77,560 (2010 AMI).

The Workforce Housing Rental Rate will be calculated as the rate that a family at 80 percent of AMI can afford to spend on rent and utilities without being cost-burdened. The rate can be adjusted annually, using HUD’s AMI figures.

2010-2011 Rental Rates:

	Utility Allowance	80% AMI	Max Rent Affordable
Efficiency	\$60	\$31,050	\$716
One-Bedroom	\$77	\$35,450	\$809
Two-Bedroom	\$95	\$39,900	\$903
Three-Bedroom	\$111	\$44,300	\$997

Notes: The utility allowance is based on the Housing Authority Standards for multifamily units. Units must be rented at or below the maximum rental rate listed above while maintaining affordability to the buyer, and buyers must have income below 140% AMI, adjusted for household size. As a requirement for each unit offered for the incentive, proof of owner income must be provided.

Pursuant to G.S. §153A-378, counties are authorized to engage in and to appropriate and expend funds for residential housing construction for sale or rental to persons and families of low and moderate income. Accordingly, the board of commissioners for

counties implementing such programs may contract with any person, association, or corporation to implement those programs. The Board of Commissioners of Buncombe County has directed the development of a rental development program to be chartered and administered within certain parameters.

Program Description

Rental Development assistance may be offered as either an incentive grant for the construction of new or rehabilitated residential rental housing for low and moderate income families for up to 5 years, or loan funds for infrastructure, land development costs, and rental unit construction costs for the creation of units of workforce housing within a single development.

Project Requirements

In order to be eligible for this program a project must include at least 50 units of workforce housing. If the development exceeds 50 units, it will be the developer's decision whether to include additional units as workforce housing. The ratio of workforce housing to the total number of units in the project will be applied to the Rental Incentive percentages referred to in the following table. The incentives will apply only to those units available for workforce housing when calculating the amount of the incentive. Therefore, if the project development is only 50 units and a tenant's income exceeds the 140 percent AMI then the entire complex loses its incentive unless that tenant vacates within three (3) months of loss of eligibility. When a project development has in excess of 50 units, then only the 50 workforce housing units must be leased for workforce housing and remaining units may be leased to families earning in excess of 140 percent AMI.

The project must be located within Buncombe County. There must be a minimum of 50 units of workforce housing proposed, and all units assisted must be rented at or below the workforce housing rental rate throughout a 15-year period.

Housing must be rented to families who intend to use the home as their primary residence, and to full-time residents of Buncombe County.

Housing must be rented to families at or below 140 percent of the AMI. The developer may and is encouraged to set aside an even greater percentage of units for those families with lower AMI. A family's income level used to establish the rental rate must be calculated once per year when only the minimum 50 units are available for Workforce Housing or only once prior to their initial lease date when more such units are available in larger projects. Throughout this program HUD's annual AMI figure will be used. The annual AMI for a family of one will be used for calculating assistance for an efficiency, for a family of two for calculating assistance for one-bedroom units, for a family of three for two-bedroom units, and the AMI for a family of four for three or more bedroom units.

The long term requirements for use of the rental units by low and moderate income families for the period of time required by the particular incentive program shall be documented by deed restrictions, recorded covenants, or any other method designed to ensure that the rental units are rented at or below the fair market rental rate throughout the program as same may be approved in advance by Buncombe County.

Projects will be evaluated on an individual basis. Availability of funds or changing conditions may cause the Board of Commissioners to modify, amend, or discontinue this program.

A project that is receiving any other form of Buncombe County assistance shall not be eligible for an incentive or loan under this program.

If the project receives Building Permits from Buncombe County, the designated workforce units may be eligible for building permit fee rebates, up to one-half the cost of the building permit.

County participation cannot violate the laws of the State of North Carolina. Projects must be deemed not harmful to the environment according to applicable law and must be in compliance with all federal, state and local regulations.

To be eligible for payment, the developer must have:

- Completed construction and the building occupied
- Be current on all taxes payable to Buncombe County
- Be current on performance criteria as specified in the agreement, including the value of investment, number of units, etc.

No project shall be approved for an incentive grant or loan under this program without the approval of the Buncombe County Board of Commissioners following public hearing as well as the mutual approval of an incentive agreement by and between Buncombe County and the developer with the consent and approval of the County Attorney. Buncombe County reserves the right to audit the recipient to assure compliance with the agreement, and the records pertaining to the development must be open for inspection by the County's auditor. If the criteria is not met, or altered significantly, Buncombe County may require the developer to repay the funding in full or in part. Construction must begin within 18 months of approval or the project will no longer be considered compliant.

Incentive grant method

Assistance to the developer will be provided through an incentive grant to be calculated on a percentage of the increased annual tax value resulting from the construction of new or rehabilitated residential rental housing. A developer may apply for an incentive grant for a specific rental project to be paid over a period of up to five (5) years as described below. Only the tax value of the improvements will be considered when calculating the

incentive. The first incentive payment will be made after the first full year of occupancy and annually thereafter based on the following schedule:

Initial Investment Between¹		Maximum Workforce Rental Incentive %²	Eligible # Yrs.³
\$ 5,000,000	\$6,999,999	75%	4
\$ 7,000,000	\$9,999,999	85%	4
\$10,000,000	Up	85%	5

¹ The initial investment includes the developer's investment for new improvements only as determined by the Buncombe County Assessor.

² The annual increased tax value will be determined on the investment. An annual incentive is calculated by taking the then current County tax rate and multiplying that rate by the applicable Maximum Workforce Rental Incentive percentage of the increased annual tax value. No payment will be made until the Tax Department verifies the investment has been made at the rate in the agreement.

³ The annual incentive is multiplied by the Eligible Number of Years to compute the total Maximum Workforce Housing Incentive.

For example:

For a qualified workforce rental development that will bring a new investment of \$7 million to Buncombe County, the development could participate with an incentive of up to 85 percent of the annual increased tax value for the first four years. Currently the tax rate is \$.525/100. The annual incentive would be \$31,237.50, for a total incentive of \$124,950.

While the incentive of returning a portion of property taxes for up to five years is offered, participation in the program requires that the units remain at workforce housing rental rates throughout the 15-year period.

Loan funds method

On a case-by-case basis, the Board of Commissioners may opt to provide funding through a deferred construction loan at zero annual interest payable over a fifteen year period, with an annual payment each year. Affordability is guaranteed through deed restrictions for the fifteen year loan period. The developer must provide copies of the rental documents with information on each tenants' income. A Note and Deed of Trust will be recorded between the County and the developer for the construction period for the fifteen year period. The construction loan will be payable with 4 percent annual interest within 5 years if the required number of units have not resulted.

Up to \$2,500 per unit of assistance can be provided. Additional funding of up to \$2,500 per unit may be awarded for a combination of the following: energy efficient design¹ and inclusion of Americans with Disability Act (ADA) accessible units (up to \$500 per unit); multiple designs and number of rooms offered within development (\$500); if greater than 50 percent of the workforce units provided are reserved and rented to families at or below 100 percent of the AMI (\$500); and if 50 percent of the units provided are rented below the workforce housing rental rate for that size unit (\$1,000). Consideration will be given to the number of bedrooms per unit as well as the square footage in each unit assisted.

The maximum amount of the loan will be based on the total number of workforce housing units supplied, and the amount of County funds available, but will generally not exceed \$500,000.

¹ Energy efficient design could include several components such as *site orientation* to take advantage of natural daylight; *exterior shading devices* such as trees, sunshades, or dual glaze windows; *Energy Star rated* roof, doors, windows, and appliances; *building materials* that are constructed with non-toxic materials or renewable sources; or other considerations.