



CITY OF HENDERSONVILLE STRATEGIC HOUSING PLAN STEERING COMMITTEE

2nd Floor Meeting Room | 160 6th Avenue E. | Hendersonville NC 28792
Monday, May 20, 2024 – 4:00 PM

MINUTES

Present: Council Member Lyndsey Simpson, Robert Hooper (WNC Source), Debi Smith, (TDA), Jennifer Duvall (HAC), Hilary Paradise (Land of Sky), Sarah Cosgrove (Builder's Assoc. of the Blue Ridge), Madeline Offen (Pisgah Legal)

Absent: Council Member Jennifer Hensley, County Commissioner Bill Lapsley (Henderson County), Connie Stewart (Housing Authority) and Carsten Erkel (Partnership for Economic Development)

Staff Present: City Manager John Connet, City Attorney Angela Beeker, City Clerk Jill Murray, Communications Manager Allison Justus & Community Development Director Lew Holloway

1. CALL TO ORDER

Lyndsey Simpson called the meeting to order at 4:02 p.m. and welcomed those in attendance.

2. APPROVAL OF AGENDA

Debi Smith moved to approve the agenda as presented. A unanimous vote of the Committee Members present followed. Motion carried.

3. APPROVAL OF MINUTES

Robert Hooper moved to approve the minutes of April 15, 2024, as presented. A unanimous vote of the Committee Members present followed. Motion carried.

4. NEW BUSINESS

A. Affordable Housing Summit Debriefing – City Staff

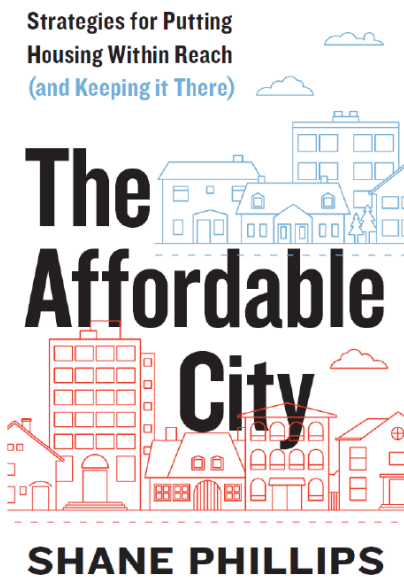
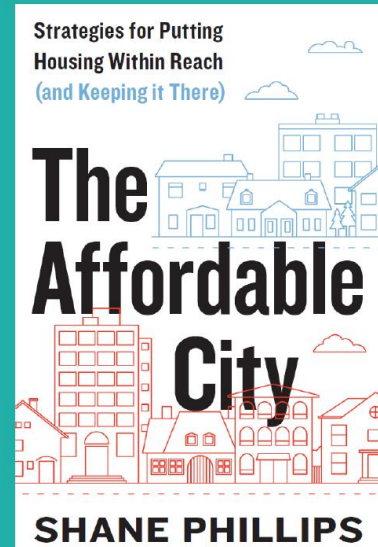
City Attorney Angie Beeker said that the Housing Summit was really good and she wanted to briefly go over Shane's PowerPoint presentation for those who may have missed it.



Saying 'Yes' to an Affordable City

Supply, Stability, and Subsidy

City of Hendersonville



UCLA Lewis Center
for Regional Policy Studies



Learn more by listening to our podcast:



UCLA HOUSING VOICE

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- An eight-part series on homelessness (causes, demographics, solutions)
- Community land trusts
- Rents and migration
- Right to counsel
- Social housing in Vienna
- Upzoning in New Zealand
- Inclusionary housing, minimum lot size reform, the Fair Housing Act, de-valuation of homes in Black neighborhoods, suburbanization in Mexico, Singapore's public housing, bundled parking, transit-induced displacement, homelessness interventions, vacant housing, real estate transfer taxes, public housing and tenant power, rent control, immigration and housing precarity, ADUs, homeownership...

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Zillow Home Value Index ▼

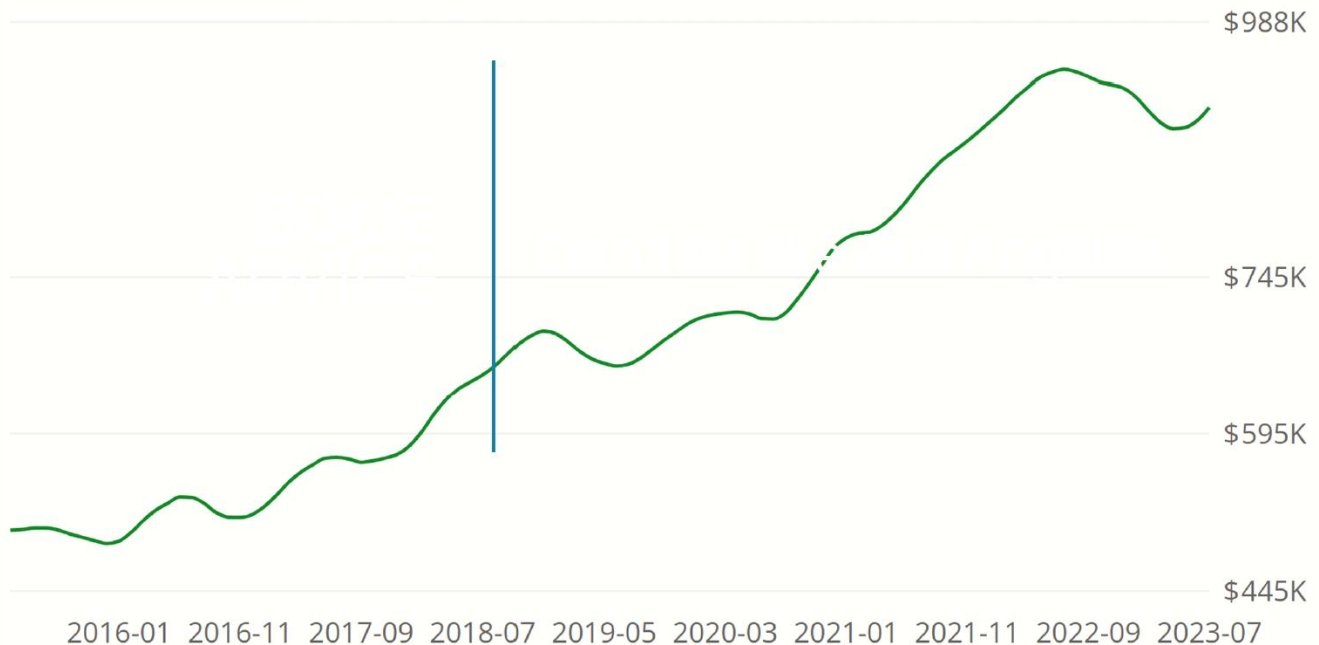
All homes ▼

1-yr

5-yr

Max

Los Angeles



What does Hendersonville look like today (2020)?

Population: 15,102 (up 15% from 2012)

Housing units: 7,651 (up 20%)

- 1 unit: 49%
- 2-4 unit: 19%
- 5+ unit: 28%

Median home value: \$253,700 (up 19%)

- Zillow estimate in May 2024: \$413,924

Median rent: \$1,107 (up 22%)

Vacancy rate: 7.7% (down from 20.7%)

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What does Hendersonville look like today (2020)?

Tenure: 52.5% renter, 47.5% homeowner

Median income: \$50,198 per year

- Renters: \$37,833
- Homeowners: \$64,728

Average household size: 1.9 (down from 2.3)

- 1-person: 47.1% (up from 37.6%)
- 2-person: 34.5% (down from 36.1%)

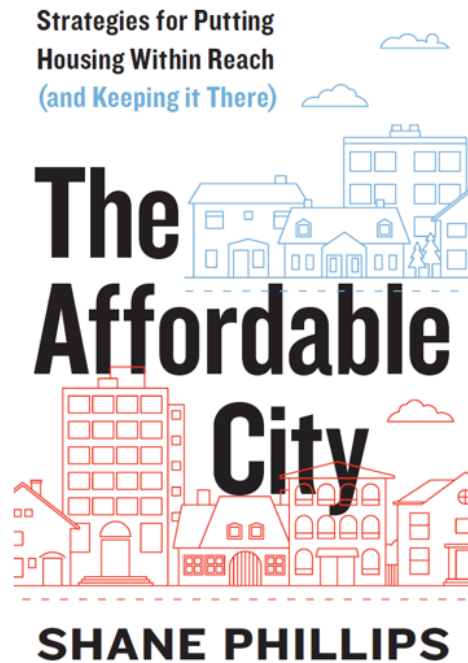
Housing stock:

- Studio / 1 BR: 22%
- 2 BR: 44%

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THE THREE S'S

Supply
Stability
Subsidy



Supply

Physical constraint: Growing, changing populations require a growing and changing stock of homes – you can't redistribute your way out of a shortage

Economic constraint: When housing is scarce, homeowners and landlords gain market power at the expense of homebuyers and renters

Supply Policy Examples

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- Build up commercial corridors and centers, where residential displacement is unlikely
- “Broadly upzone” wide swathes of cities and towns
 - Missing middle, mid-rise, high-rise, small lots, micro-units, townhomes, stacked flats
- Make homebuilding “by-right” — increase certainty, lower cost
 - In other words, do quality planning up front, then stick to the plans you’ve made
- Reduce or eliminate parking minimums

Stability

What are our moral obligations?

How do we ensure dignity and a reasonable level of security for every household, regardless of tenure?

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Stability Policy Examples

- Rent-stabilizing older housing
 - Usually paired with “just cause” eviction protections
- Limiting “low-yield” redevelopments
- Facilitating negotiated buyouts or “right of return” for displaced households

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Subsidy

What gaps aren’t being fully addressed by supply or stability policies?

How can funds be generated in ways that also incentivize helpful behavior?

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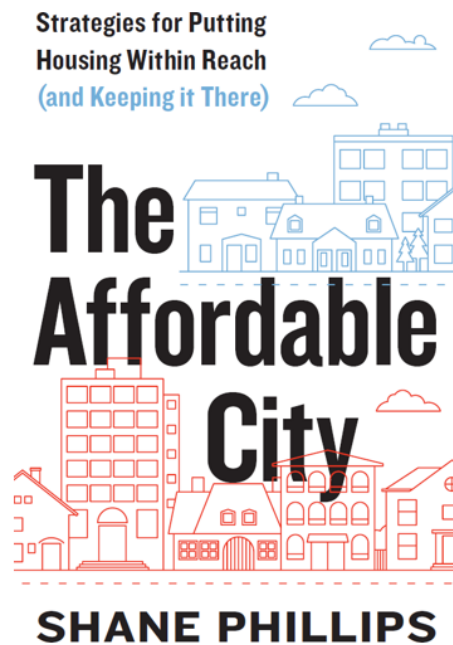
Subsidy Policy Examples

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- Affordable housing construction subsidies and rent assistance
- Property tax abatements
- Taxing underutilized property
 - Not just empty units, but empty or underutilized land

THE THREE S'S

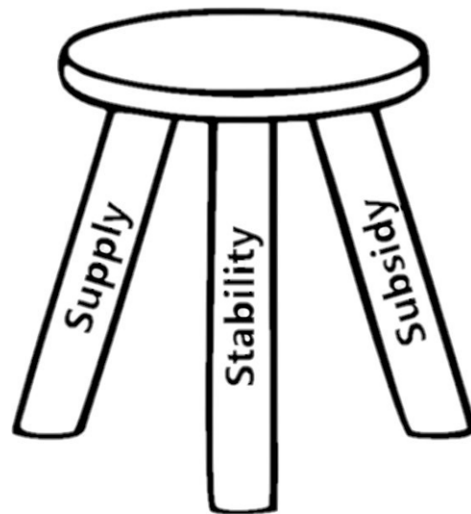
Supply
Stability
Subsidy



A Three-Legged Stool for Affordability

Supply, Stability, and
Subsidy work better in
combination, mutually
reinforcing each other

Remove any, and it topples



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"IF YOU
CAN'T SOLVE
A PROBLEM,
ENLARGE IT."

Housing markets are complex, and most policies have both positive and negative impacts, winners and losers.

Instead of abandoning good policies (with much more benefits than costs), we can "enlarge the problem" by adding complementary policies that tackle unintended consequences directly.

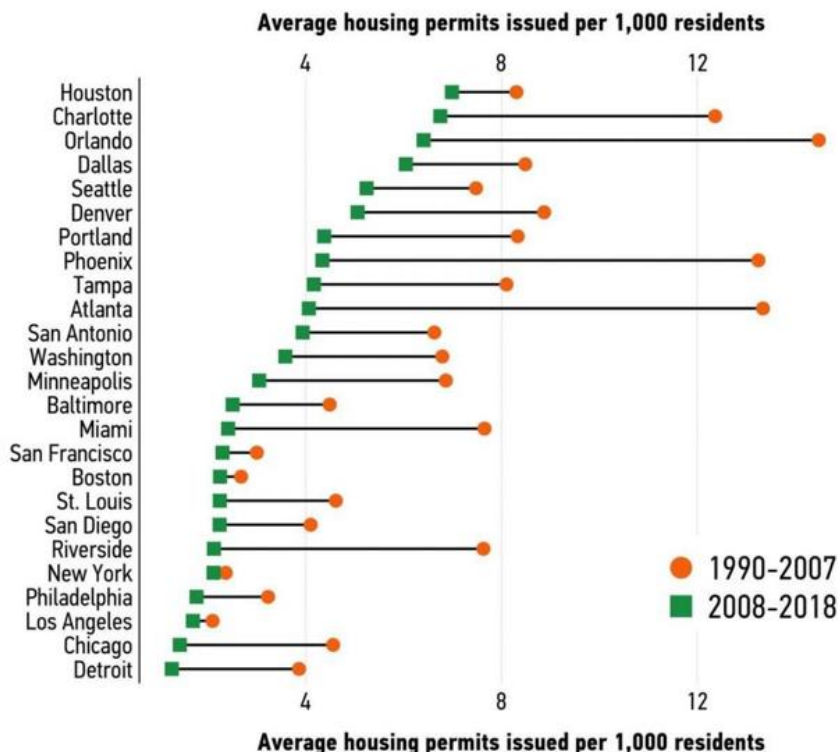
ENLARGING THE PROBLEM EXAMPLE

If increased homebuilding raises concerns about gentrification and displacement, the solution isn't to permit less housing – which we need.

It's to tackle those unintended consequences head-on, both in the ways we encourage development and with protections and mitigations against harm.

Housing scarcity is worsening

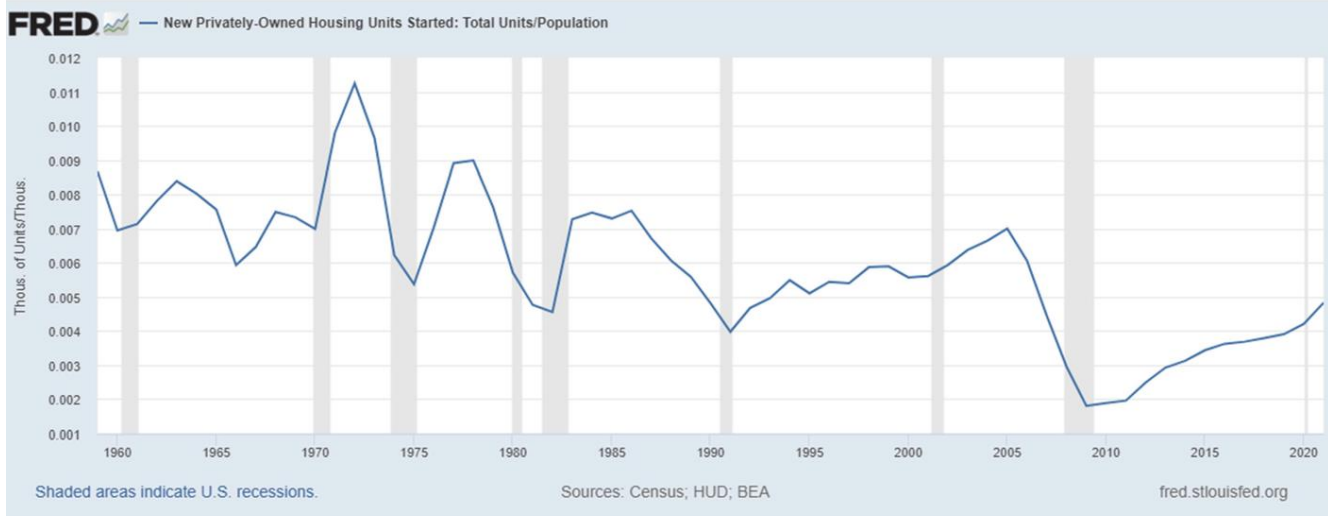
Every major U.S. metro is building less housing



Source: Apartment List (David H. Montgomery / CityLab)

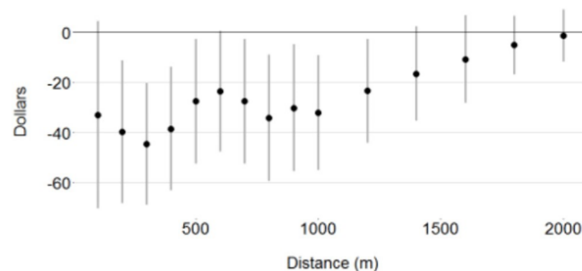


Housing scarcity is worsening



All else equal, places that build more housing are more affordable than those that build less

See: “Supply Skepticism Revisited”
from the NYU Furman Center



(a) 1BR Rents

Pennington, K. (2021). Does building new housing cause displacement? The supply and demand effects of construction in San Francisco. *Working paper*.

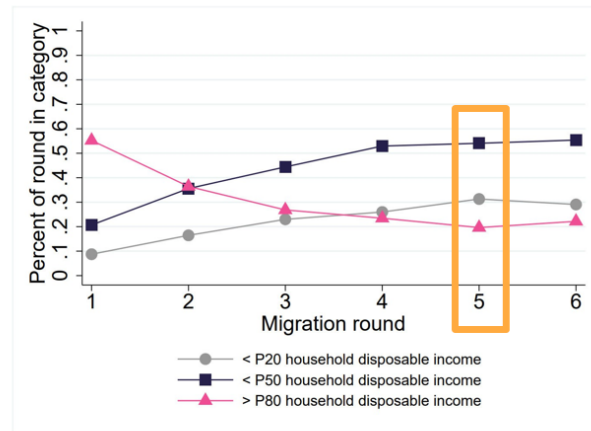
New buildings “pull people up” into higher quality homes, loosening pressure across the market

Move 1: Household A moves into new \$2,000/month market-rate unit, leaving behind a \$1,600 unit.

Move 2: Household B moves into \$1,600 unit, vacating \$1,300 unit.

...

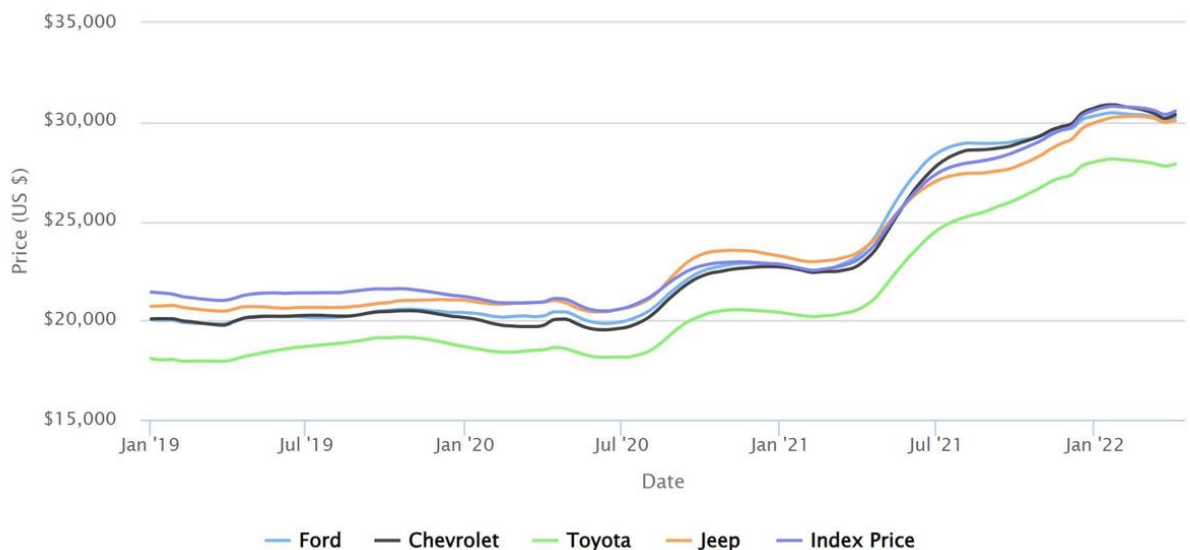
Move 5: A vacancy is created in an \$800/month unit – without subsidies



(e) Market-rate, individuals

Bratu, C., Harjunen, O., & Saarimaa, T. (2023). JUE Insight: City-wide effects of new housing supply: Evidence from moving chains. *Journal of Urban Economics*, 133, 103528.

Learning from the used car market



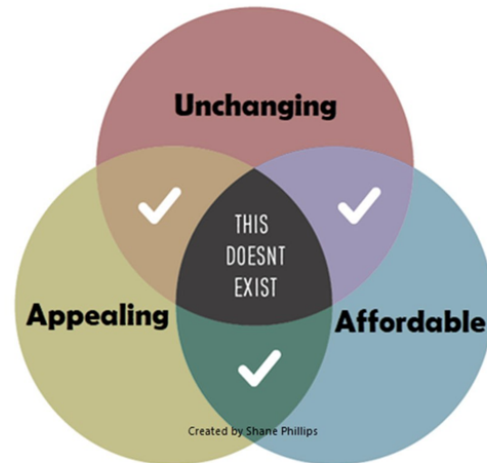
Highcharts.com

There's no such thing as "no growth"

Cities and towns generally have three paths:

1. Growing housing stock
2. Growing housing prices
3. Stagnation and decline

EVERY CITY CAN ONLY PICK TWO



WHICH PATH WILL YOU TAKE?

What's New and Next?

Where housing is headed

Missing middle housing

Missing middle: Everything from rowhouses to 3-4 story apartment and condo buildings

Benefits:

- Low construction costs
- Shared land costs
- Low barrier to entry for homebuilders
- Similar scale to existing buildings



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Broad upzoning

Broad upzoning: Allowing denser, more affordable housing citywide, not one n'hood/corridor/parcel at a time

Benefits:

- Reduces windfall increase in land value from targeted upzones
- Lower land costs can be passed on as lower rents/prices
- Shares burdens of growth



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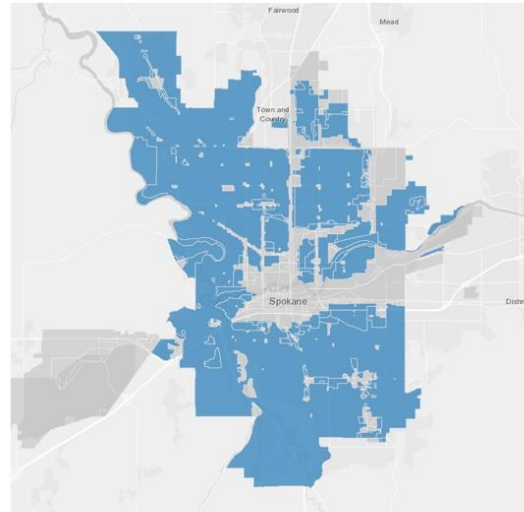
U.S. cities are already pursuing broad upzoning + missing middle in big ways

In late 2022, Spokane, WA upzoned 2/3 of the city, allowing 3 stories, unlimited floor area and density, and at least 50% lot coverage on all residential parcels

Other places to watch:

- Burlington, VT
- Sacramento, CA

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LEARNING FROM THE “MONTANA MIRACLE”

- Big tent
- Quick process
- Open dissent
- Healthy fear about the consequences of inaction

Stay Positive!

You've created a wonderful community that people want to call home. If you were able to do that, then there's nothing stopping you from making it even better.

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Lyndsey Simpson suggested going around the room and everyone giving their take on his presentation and asking “what was your lightbulb moment” or something that you wish he would have spoken about. City Attorney Angie Beeker took notes on what everyone said below.



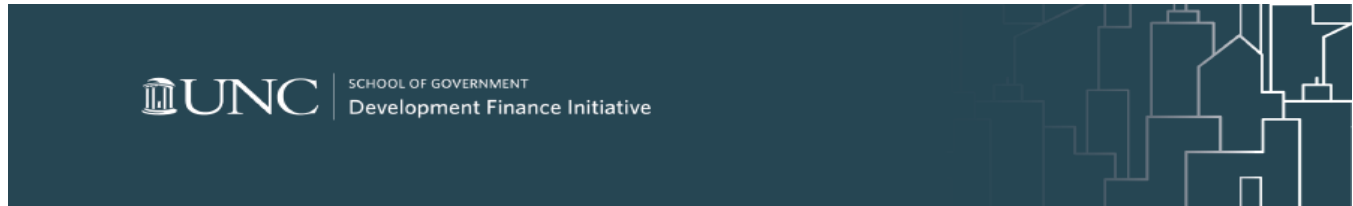
Strategic Plan Steering Committee - Housing Summit Feedback - May 20, 2024

38% cash purchase 1st qtr 2024	Open commun is impt.	Framework for discussions - keep goal in mind - speak from perso	Safe space for people to speak their mind	Factor in risks of not involving everyone in the conversation	Like growth diagram - by not choosing you are making a choice	Stay on same path, get the same results.	Employees in the poverty level - live paycheck to paycheck
What happened to 78 year old who was displaced - 1 week to get out?	Won't have as big of impact if surrounding community doesn't jump in.	We have taken first steps - what next?	Where do we start? Ready to jump in.	Travel, food, and housing together fold into affordability	Fixed income - displaced individuals have too few choices. Older residents.	Trailers are affordable - zoning prohibits.	Zoning restrictions can hamper development and affordability.
Appreciate bringing expertise into the area	Need for City and County to work together - especially with zoning misalignment	Missing middle is key - mixed use type of community with diff level and price points	Apt buildings don't mean affordable housing	Educate on what affordable housing is - for elderly, workforce, etc.	Upzoning is positive	Like the 3 S's and how they all work together - 3 legged stool falls without all 3	How to build relationships and PS with developers - entice them?
Incentives for developers	Complex issue - problem has been around for a long time.	A lot of buy in from City - good that a lot of other communities came to summit	Book is holistic approach. Committee can take this approach. Good framework	Has been an issue forever - always been homelessness and poverty.	Issue won't be solved overnight.	Zoning - need to get in line with folks dealing with the zoning.	Migration chain - key. Market on front edge won't be affordable - but can't have affordability w/o it
People generally don't like developers - but must have them in the mix.	Look for ways to remove barriers created by zoning.	Smaller lot sizes - no larger than 6,000 required. ADUs subdivided out. No minimum?	Existing zoning doesn't match existing development.	Broad upzoning avoids concentration of affordable units in one neighborhood	Allow residential in commercial corridors.	Over 3 yrs, went from 1300 BP's/yr to 200 - represents no product and huge impact on workforce.	Cultivate local environment for the smaller builders
Stability - housing code is really important	Can start with a few zoning ordinance amendments	Most of the growth has historically happened in the County - need County participation	Supply is locally controlled. Very important.	Subsidy will be doable for us.	Need community champions	Land is power. Hard to come by.	What about abandoned buildings, redevelopment, existing structures.
Public private partnerships - what does that look like? Want more info about that.	Delegate City powers of a housing authority	Missing middle and ADUs - local building class. Opportunities for local investors.	Engage more local developers and builders.	Click or tap here to type	Click or tap here to type	Click or tap here to type	Click or tap here to type
Click or tap here to type	Click or tap here to type	Click or tap here to type	Click or tap here to type	Click or tap here to type	Click or tap here to type	Click or tap here to type	Click or tap here to type

B. Next Steps – Council Member Lyndsey Simpson and City Attorney Angie Beeker

City Attorney Angie Beeker said we need to go through a process and do this in an organized way. City Manager John Connet said he asked the Development Finance Initiative (DFI) to come up with a proposal. We've done so many plans and brought in these consultants and when we started thinking about it and the people we have here and knowing that DFI is out there, we asked them to help us with a toolkit. They've been doing this in the region and know how it works and we could also get a facilitator to help us with meetings. I felt this would be better than getting some big consulting firm. We could do this with two smaller sub-consultants. So DFI is going to help us and they know the laws.

Angie added that DFI will help us to leverage private funds and she went over the below proposal.



MEMORANDUM

To: John Connet, City Manager, City of Hendersonville
From: Marcia Perritt, Director, Development Finance Initiative
Date: May 7, 2024
Re: Proposal to Provide Opportunity Site Identification Services for Affordable Housing Development

UNC-Chapel Hill Development Finance Initiative

The UNC Chapel Hill School of Government (SOG) established the Development Finance Initiative (DFI) in 2011 to assist local governments and their partners in North Carolina with achieving their community economic development goals. The SOG is the largest university-based local government training, advisory, and research organization in the United States. DFI partners with communities to attract private investment for transformative projects by providing specialized finance and real estate development expertise.

Request for Technical Assistance

The City of Hendersonville requested technical assistance from DFI in April 2024 in evaluating opportunities to increase its supply of affordable housing for low- and moderate-income households and further its community economic development goals. To that end, DFI is able to assist the City of Hendersonville with the identification and prioritization of sites that present viable opportunities for affordable housing development. DFI will carry out high level pre-development activities—parcel analysis, site analysis, and financial feasibility—to identify and prioritize key sites for development.

Scope of Services

The following Scope of Services outlines the activities that DFI would conduct in the City of Hendersonville (the "Project Area") to identify and prioritize sites that present viable opportunities for affordable housing development:

1. Conduct a community scan, which is an analysis of market-relevant demographic and socioeconomic data, as well as a review of current and historic plans, local and

regional affordable housing stakeholders, visioning documents, studies, research, development proposals, conceptual renderings, notes from public input sessions, and other materials relevant to affordable housing development within the Project Area;

2. Conduct a housing needs assessment of the Project Area to identify the scale of demand for specific housing types at various income levels. The assessment includes an evaluation of primary demand drivers such as growth and employment trends, as well as an in-depth analysis of the existing housing supply;
3. Conduct small group community engagement activities (approximately 3 to 6 one-on-one conversations, informed by the community scan and guidance from City staff) as it relates to stakeholder interests within the Project Area;
4. Establish affordable housing priorities for site identification in collaboration with the City of Hendersonville;
5. With an emphasis on publicly owned properties, identify up to **four sites** (each a “Study Site”) that meet the City’s housing priorities, including sites suitable for Low-Income Housing Tax Credit (LIHTC) development as defined by the NC Housing Finance Agency’s Qualified Allocation Plan (QAP). LIHTC is the largest affordable housing finance program in the country, incentivizing the acquisition, construction, and rehabilitation of private rental housing for low-to-moderate income households;
6. For each Study Site, collect and analyze relevant data for a parcel analysis to understand current conditions (sales trends, vacancy, land use, ownership, and underutilization) immediately surrounding the Study Site and changes over time;
7. Conduct a high-level site analysis for each Study Site, examining publicly available data regarding topography, hydrology, infrastructure, etc. to gain a general understanding of development opportunities and constraints;
8. Conduct a high-level financial analysis for each Study Site in order to make a general determination about the feasibility of affordable housing development on each site; and
9. Identify and prioritize **up to two** Study Sites and make recommendations related to those sites.

This Scope of Services does not include services that require a licensed broker, a licensed real estate appraiser, or licensed attorney to perform. In addition, the scope does not include tasks associated with site planning expertise from architects or engineers, nor does it include site preparation expenses such as land survey, soil samples, and environmental testing (if such services are required, DFI will advise the City to obtain such services from third parties).

The fee accounts for efficiencies gained from utilizing virtual meeting tools rather than in-person meetings. The above Scope of Services and associated fee includes two (2) in-person site visits.

Deliverables

Deliverables include presentations, summaries, and other documentation intended by DFI to be delivered to the City regarding the above Scope of Services.

Timeline

The timeline for completing Activities 1-9 (Phase 1) is estimated to be 5 months from commencement.

Fee

The flat fee for the above Scope of Services is \$61,650. The flat fee is payable over two installments of \$30,825 each, if desired.

Potential for Future Phase 2: Solicitation of a Private Development Partner

In Phase 2, following the City of Hendersonville obtaining site control for the Study Site, DFI is able to conduct additional site-specific pre-development analysis and assist the City in identifying experienced private developers to execute an affordable housing development project. Following the selection of a development partner, DFI will then support the City of Hendersonville in negotiating key deal points in a development agreement with its selected partner. Phase 2 services would require a separate contract and fee.

Sarah Cosgrove moved that the committee move all future meetings to the City’s Operation Center on Williams Street and to add “Public Comment” to all future agendas. A unanimous vote of the Committee Members present followed. Motion carried.

Lyndsey reminded everyone that the next meeting is June 17, 2024 at the Ops Center.

5. OTHER BUSINESS

6. ADJOURNMENT

There being no further business, the meeting was adjourned at 5:28 p.m.

Lyndsey Simpson, City Council Member & Chairman

ATTEST:

Jill Murray, City Clerk