

## FY 24 AHSP Application Staff Summary: MHO Lakeshore Villas Construction Loan

<b>120</b> Units to Be Constructed	<b>\$31,624</b> AHSP Request Per Unit	<b>\$1.00 : \$9.00</b> Leverage Ratio AHSP \$ : Other \$	<b>≤60%</b> AMI Target	<b>30 yr</b> Period of Affordability
<b>\$318,495</b> Average Cost Per Unit		<b>\$320.12</b> Average Cost per Unit Square Foot		<b>1, 2, and 3</b> Bedrooms per Unit

**Project Description:** Mountain Housing Opportunities, Inc. submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$3,794,932** to construct Lakeshore Villas.

**AHSP Goal:** Increase the supply of Affordable Housing for rent.

**AHSP Objective:** Impact, by 2030, a total of 1,500 to 1,850 rental units for households at ≤80% AMI: with an average at ≤60% AMI across all households; where 1,200 to 1,480 of those units leverage the LIHTC program; and where 200 of those units are for households at ≤30% AMI.

**Summary:** The request (\$3,794,932) is intended to support the \$38,219,385 Lakeshore Villas 120-unit construction project. The proposed unit mix includes 120 units for households at ≤60% AMI with 35 one-bedroom units, 64 two-bedroom units, and 21 three-bedroom units. The project received 4% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA). The project is on Heywood Road. The project received development approval on April 14, 2021 as a community oriented development. The site is currently owned by the applicant. The project, given its LIHTC award, will accept vouchers and estimates approximately 40% of renters will use vouchers.

**Capital Stack:** The capital stack includes:

*Committed:*

- \$16,196,015 in 4% LIHTC (estimate of \$0.90 price per tax credit)
- \$3,263,847 in Buncombe County ARPA funds
- \$750,000 in HOME funds (anticipated 20 years at 2%, cashflow loan)
- \$665,229 in Dogwood Health Trust funds

*Requested:*

- \$8,599,362 in HUD 221d4 loan (40 years at 6.05%, principal and interest)
- \$4,000,000 in Dogwood Health Trust funds
- \$3,794,932 from Buncombe County AHSP (20 years at 2%, cashflow loan)
- \$750,000 in HOME funds requested but not received

*Deferred Developer Fee:*

- \$200,000 in deferred developer fee (according to the FY22 NCHFA 4% LIHTC QAP a maximum of \$593,963 can be deferred).

**Requested Terms:** 20-year term, at an interest rate of 2.00%, annual payment from cashflow with principal balloon. The project demonstrates a need for this loan structure.

**Exceptions to Program Guidelines:** None.

**County Funding Source Options:** General Fund, AHSP Program Income, Bond Funds or ARPA-FRF funds.

**Finance Department Assessment of Audits and Financial Position:** The applicant's financial statements are from FY 21. FY 22 statements are preferred; however, the applicant's fiscal year ends December 31 so its FY 22 audit is not yet complete. The applicant's most recent audit (FY 21) includes a finding between the applicant and the City of Asheville related to the applicant's HOME funded downpayment assistance program, but the applicant appears to be addressing the finding. As of December 31, 2021, the applicant's financials show a reasonably healthy financial position.

## **Review and Recommendations:**

Community Development Division staff reviewed the project based on AHSP guidelines.

*Program Requirements:* The project appears to meet program requirements.

*Proforma Analysis:* An operating proforma with a 7% vacancy rate includes \$2,989,483 in cash flow available to repay any deferred developer fee and soft loans with \$1,323,864 as possible extra cash flow. A deferred developer fee, per the NCHFA QAP, must be able to be repaid by year 15. The applicant is requesting \$3,794,932 from the AHSP, \$1,500,000 in HOME funds (of which \$750,000 was awarded), and \$4,000,000 from Dogwood Health Trust. The HOME award provided presents a \$750,000 gap in the capital stack which will have to be provided by another source. Assuming 2% interest and no prepayment of principal, a total of \$1,517,913 of interest is needed for a 20-year loan of \$3,794,932. At a 7% vacancy rate and after the currently proposed developer fee there appears to be sufficient cashflow to make interest payments on the AHSP and HOME loans. The proforma was analyzed assuming Dogwood Health Funds would be granted or have 0% interest and no principal payment due.

*Review of Assumptions:* Assumptions made in the proforma include a 40-year permanent loan with an interest rate of 6.05% and LIHTC credit pricing of \$0.90. The permanent loan interest rate is in line with the bulk of its peers. Tax credit values are variable. The Development Finance Institute estimates the price of the current tax credit to be \$0.85 - \$0.89. In this project, each \$0.01 in tax credit represents roughly \$180,000 in capital stack impact.

*Deferred Developer Fee:* The proforma includes a \$200,000 deferred developer fee. A maximum of \$593,963 in deferred developer fee is permitted. As the project has already been awarded tax credits, the request to the County could be reduced by increasing the deferred developer fee. Any deferred developer fee would result in changes to the analysis of cashflow; however, preliminary review suggests cashflow is sufficient to repay deferred developer fee. Existing funding gaps could be narrowed by deferring additional developer fee.

**Affordable Housing Committee Consideration:** The Affordable Housing Committee may recommend a loan up to \$3,794,934 with a 20-year term, at an interest rate of 2%, annual payment from cashflow with balloon payment. This loan could be supported with general fund or bond funds. ARPA-FRF funds may also be considered. This project has a substantial gap created by the \$750,000 HOME award (of \$1,500,000 requested) and continues to seek funding (\$4,000,000) from Dogwood Health Trust.

<b>PROJECT SUMMARY SHEET</b>		<b>Y/N</b>
<b>Project Description/Narrative</b>		
Clearly affordable housing focused		Y
Aligns with all components of the application		Y
Aligns with all guidelines of the AHSP program		Y
Aligns with the selected strategic goal		Y
<b>Designed to Serve Households with AMI</b>		
<80%		Y
<50%		Y
<30%		N
<b>Designed to Serve</b>		
General populous eligible for the program		Y
Individuals who are age 55 or older		Y
Individuals with a disability		Y
Individuals who are hard to house		N
Individuals who are homeless		Y
Individuals who are BIPOC		Y
Individuals who are justice involved		Y
Individuals who have vouchers		Y
<b>Project Expenses</b>		
Complete		Y
Reasonable		Y
<b>Project Sources</b>		
Complete		N
Reasonable		Y
Includes leveraging additional investment (non-AHSP funds)		Y
<b>Project Schedule</b>		
Complete		Y
Reasonable		Y
<b>Project Team</b>		
Relevant experience and qualifications to complete the project		Y
<b>Project History</b>		
Indicates success in completing projects in the program category		Y
<b>Applicant</b>		
Has timely audits free of qualifications and findings which would adversely indicate ability to manage an AHSP allocation		Y
Shows a healthy financial position		Y
Is a non-profit applicant		Y

CONSTRUCTION PROJECT ADDITIONAL SUMMARY INFO	Y/N
<b>Project</b>	
Preserves long-term affordability beyond the loan term	Y
Emphasizes quality design and construction	Y
Participates in an energy efficiency program	Y
Contains mixed unit types (affordable, workforce, market)	N
Contains mixed unit types (multifamily and single family)	N
Contains mixed unit types (units with varied number of bedroom (1,2,3+))	Y
Is geographically separated from other affordable housing projects	Y
Is coordinated with employment, services, and existing infrastructure	Y
Is located within 3/4 miles of a public transportation route	Y