

FY 24 AHSP Application Staff Summary: WDT Villas at Haywood Construction Loan

52 Units to Be Constructed	\$16,042 AHSP Request Per Unit	\$1.00 : \$14.39 Leverage Ratio AHSP \$: Other \$	≤80% AMI Target	30 yr Period of Affordability
\$246,821 Average Cost Per Unit		\$193 Average Cost per Unit Square Foot		1 and 2 Bedrooms per Unit

Project Description: WDT Development, LLC submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$843,178** to construct Villas at Haywood project.

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 (\$843,178) is intended to support the \$12,834,671 Villas at Haywood 52-unit project. The proposed unit mix includes 21 units for households at ≤80% AMI, 10 units for households at ≤60% AMI, 8 units for households at ≤60% AMI, and 13 units for households at ≤30% AMI with 28 one-bedroom units and 24 two-bedroom units. The proposed units will serve households over age 55. The project made preapplication for 9% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA) and received a perfect score. The final application, if all commitments to the capital stack are identified, can be submitted by the applicant in May 2023. NCHFA is expected to notice LIHTC awards in September 2023. The project is located at 1923 Old Haywood Road. The project is seeking a special use permit for the community oriented development from Buncombe County (being considered April 12). The site is currently under option agreement. The project, given its LIHTC award, will accept vouchers, and estimates approximately 10% of renters will use vouchers.

Capital Stack: The capital stack includes:

Committed:

- \$296,004 in HOME loan (assumed 20 years at 2%, cashflow loan)

Requested:

- \$8,299,170 in 9% LIHTC (estimate of \$0.83 price per tax credit)
- \$2,790,000 in permanent financing (35 years at 7.25%, principal and interest)
- \$834,178 from Buncombe County AHSP (20 years at 2%, cashflow loan)
- \$780,000 in NCHFA RPP Loan (20 years at 2%, cashflow loan)

Deferred Developer Fee:

- \$131,323 in deferred developer fee (according to the FY23 NCHFA 9% LIHTC QAP a maximum of 25% can be deferred without an impact to project scoring (up to \$128,677 can be deferred without impact to project scoring)).

Requested Terms: 20-year term, at an interest rate of 2.00%, annual payment from cashflow with principal balloon. The project does not currently demonstrate the need for an AHSP loan (see *Review of Assumptions* below).

Exceptions to Program Guidelines: None.

County Funding Source Options: General Fund, AHSP Program Income or Bond Funds.

Finance Department Assessment of Audits and Financial Position: The applicant did not provide a timely audit free of qualifications and findings as of December 31, 2022 (though financials were presented). Since the applicant did not provide an audit, a determination of financial position was not made.

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 analysis was conducted; however, potential revisions to LIHTC and permanent loan assumptions indicate there may be sufficient sources to support the project without an AHSP loan (see *Review of Assumptions* below). A determination of cashflow to facilitate repayment is not provided based on the lack of need for an AHSP loan.

Review of Assumptions: Assumptions made in the proforma include a 35-year permanent loan with an interest rate of 7.25% and LIHTC credit pricing of \$0.83. This application provided the second highest estimated permanent loan interest rate among its peers. Tax credit values are variable; with 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 \$104,000 in capital stack impact.

If the applicant were to assume \$0.89 price per tax credit, that source could increase to \$9,048,000. The applicant, under NCHFA QAP guidance, can indicate \$0.90 price per tax credit in its proforma.

If the applicant were able to secure a 35-year loan at 6.25% interest, the potential loan could increase to \$3,110,000.

These combined assumption changes would effectively eliminate the need for the AHSP loan request and provide a potential surplus at this stage of \$528,000 in sources.

Deferred Developer Fee: The proforma includes a deferred developer fee of \$131,323. A maximum of \$128,677 in deferred developer fee is permitted without impacting project scoring under NCHFA LIHTC guidelines. The applicant will need to reduce the deferred developer fee to the maximum.

Affordable Housing Committee Consideration: Community Development Division staff, with the materials provided in the application, is not positioned to recommend the Affordable Housing Committee recommend loan award. Alternative assumptions at this stage in the project may result in a successful LIHTC application without County funds commitment. The applicant could apply in a future round if the proforma were to change and a gap in funding is identified as the project moves forward.

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

CONSTRUCTION PROJECT ADDITIONAL SUMMARY INFO	Y/N
Project	
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