

## FY 24 AHSP Application Staff Summary: LDG Meribel Construction Loan

<b>156</b> Units to Be Constructed	<b>\$54,399</b> AHSP Request Per Unit	<b>\$1.00 : \$4.03</b> Leverage Ratio AHSP \$ : Other \$	<b>≤80%</b> AMI Target	<b>30 yr</b> Period of Affordability
<b>\$320,334</b> Average Cost Per Unit		<b>\$297.19</b> Average Cost per Unit Square Foot		<b>1, 2, and 3</b> Bedrooms per Unit

**Project Description:** LDG Multifamily, LLC submitted a **New Construction Units for Rent Multifamily Loan** application requesting \$6,986,195 as an addition to the existing **\$1,500,00** FY 23 AHSP allocation to construct Meribel (formerly Monticello).

**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 combined request (\$8,486,195) is intended to support the \$49,942,032 Meribel 156-unit construction project. The proposed unit mix includes 69 units for households at ≤80% AMI, 29 units for households at ≤60% AMI, and 58 units for households at ≤30% AMI with 24 one-bedroom units, 72 two-bedroom units, and 60 three-bedroom units. The project made preapplication for 4% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA). The final application, if all commitments to the capital stack are identified, can be submitted by the applicant in May 2023. The project is in the Town of Weaverville at 171 Monticello Road. The Town of Weaverville approved necessary annexation and conditional zoning. The site is currently under option agreement. The applicant requested Project Based Vouchers from Asheville Housing Authority which will ultimately require approval from HUD. The project, given its anticipated LIHTC award and request for project-based vouchers, will accept vouchers, and estimates approximately 58% of renters will use vouchers.

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

*Committed:*

- \$1,500,000 in Buncombe County FY23 AHSP award (20 years at 2%, cashflow loan)
- \$500,000 in Asheville HOME Consortium (anticipated 20 years at 2%, cashflow loan)

*Requested:*

- \$15,432,686 in 4% LIHTC (estimate of \$0.88 price per tax credit)
- \$12,780,000 Permanent Loan (40 years at 5.725%, principal and interest)
- \$11,299,000 Soft Mezzanine Loan (40 years at 6%, cashflow loan)
- \$6,986,195 in Buncombe County FY 24 AHSP (20 years at 2%, cashflow loan)

*Deferred Developer Fee:*

- \$1,560,000 in deferred developer fee (according to the FY23 NCHFA 4% LIHTC QAP a maximum of \$1,560,000 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. The applicant indicated

repayment to be restricted to free cashflow remaining after making the initial mortgage payment and ahead of the required 1.15 debt service coverage ratio. This is an atypical but not prohibited structure.

**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 and its subsidiaries provided a relatively timely audit free of qualifications and findings. 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 \$4,216,889 in cash flow available to repay any deferred developer fee and soft loans. A deferred developer fee, per the NCHFA QAP, must be able to be repaid by year 15. At even a 3% vacancy rate, the cashflow would not be enough to pay the combined \$15,564,739 interest accrued by the Mezzanine loan, HOME loan and the AHSP loan beyond the debt service coverage ratio. The applicant indicated an intent to use cashflow before DSCR to make interest payments to the AHSP loan and that the cashflow after DSCR would be available to other soft loans. Although the project will utilize project-based vouchers (PBV), the LIHTC application requires that the voucher income be excluded from the operating model. The actual voucher revenue will reasonably increase project's available cashflow to support soft loans.

*Review of Assumptions:* Assumptions made in the proforma include a 40-year permanent loan with an interest rate of 5.725% and LIHTC credit pricing of \$0.88. The permanent loan is in line with the bulk of its peers. 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 \$175,000 in capital stack impact. The project also includes a 40-year Mezzanine loan with an interest rate of 6% as a cashflow loan.

*Deferred Developer Fee:* The proforma includes a deferred developer fee of \$1,560,000. A maximum of \$1,560,000 in deferred developer fee is permitted without impacting project scoring under NCHFA LIHTC guidelines.

**Affordable Housing Committee Consideration:** The Affordable Housing Committee may recommend increasing the existing loan from \$1,500,000 to \$8,370,345 with a 20-year term, at an interest rate of 2%, annual payment from cashflow with balloon payment. A loan of \$8,486,195 would be more than necessary to support the project budget which currently includes a small funding surplus (\$115,850). This loan could be supported with general fund or bond funds.

<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%		Y
<b>Designed to Serve</b>		
General populous eligible for the program		Y
Individuals who are age 55 or older		N
Individuals with a disability		Y
Individuals who are hard to house		N
Individuals who are homeless		N
Individuals who are BIPOC		N
Individuals who are justice involved		N
Individuals who have vouchers		Y
<b>Project Expenses</b>		
Complete		Y
Reasonable		Y
<b>Project Sources</b>		
Complete		Y
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

<b>CONSTRUCTION PROJECT ADDITIONAL SUMMARY INFO</b>		<b>Y/N</b>
<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