

FY 24 AHSP Application Staff Summary: HACA Reimagining Deaverview Phase I Construction Loan

82 Units to Be Constructed	\$19,082 AHSP Request Per Unit	\$1.00 : \$13.38 Leverage Ratio AHSP \$: Other \$	≤80% AMI Target	99 yr Period of Affordability
\$274,426 Average Cost Per Unit		\$211 Average Cost per Unit Square Foot		1, 2, 3, and 4 Bedrooms per Unit

Project Description: The Housing Authority of the City of Asheville submitted a **New Construction Units for Rent Multifamily** application requesting **\$1,564,714** to construct Reimagining Deaverview Phase I.

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 (\$1,564,714) is intended to support the \$22,502,955 Reimagining Deaverview Phase I 82-unit construction project. The proposed unit mix includes 39 units for households at ≤60% AMI, 22 units for households at ≤50% AMI, and 21 units for households at ≤30% AMI with 48 one-bedroom units, 16 two-bedroom units, 14 three-bedroom units, and 4 four-bedroom units. The project received 9% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA). The project was awarded \$935,286 in Buncombe County ARPA-FRF funds in 2022. The project is in the City of Asheville at 275 Deaverview Rd. The project received development approval from the City of Asheville. The site is currently owned by the applicant. The project will accept vouchers and anticipates 100% of renters will use vouchers.

Capital Stack: The capital stack includes:

Committed:

- \$6,549,545 in 9% LIHTC (estimate of \$0.90 price per tax credit)
- \$2,500,000 in internal (HACA) deferred loan
- \$1,564,714 in City of Asheville grant
- \$1,450,000 in NCHFA RPP loan (20 years at 2%, cashflow loan)
- \$935,286 in Buncombe County ARPA-FRF grant

Requested:

- \$3,600,000 in permanent financing (35 years at 6.10%, principal and interest)
- \$2,500,000 in Dogwood Health Trust
- \$1,564,714 from Buncombe County AHSP (grant)
- \$1,035,286 in City of Asheville grant

Deferred Developer Fee:

- \$615,000 in deferred developer fee (according to the FY22 NCHFA 9% LIHTC QAP a maximum of \$615,000 can be deferred).

Requested Terms: Grant.

Exceptions to Program Guidelines: The AHSP offers a loan with a 20-year term, at an interest rate of 2.00%, annual payment from cashflow with principal balloon. The applicant requested the funding support as a grant rather than a loan.

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 2021. A more recent audit is preferred; however, as of December 31, 2021, the applicant's financials show a 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; however, the program does not allow for the provision of granted funds, and only offers a loan product for this project type.

Proforma Analysis: An operating proforma with a 7% vacancy rate includes \$917,831 in cash flow available 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. The applicant has other soft loans (RPP loan in the amount of \$1,450,000; Asheville Housing Trust Fund (AHTF) grant/loan in the amount of \$1,035,000; and Dogwood Health Trust Funding grant/loan in the amount of \$2,500,000). Assuming a 7% vacancy rate, there is not enough cashflow to cover the deferred developer fee and cashflow loan interest payments, leaving principal balloons and unpaid interest on all soft loans. Interest payments may be achievable at 3% vacancy dependent upon the structure of the awards from the City of Asheville and Dogwood Health Trust.

Review of Assumptions: The proforma include a 35-year permanent loan with an interest rate of 6.10% 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. Each \$0.01 in tax credit represents roughly \$72,780 in capital stack impact.

Deferred Developer Fee: The proforma includes a deferred developer fee of \$615,000. A maximum of \$615,000 in deferred developer fee is permitted under NCHFA LIHTC guidelines.

Affordable Housing Committee Consideration: The Affordable Housing Committee may recommend a loan up to \$1,564,714 with a 20-year term, at an interest rate of 2%, annual payment from cashflow with balloon payment. The Affordable Housing Committee may also recommend an increase in ARPA-FRF grant funds as a response to this application. This project continues to seek additional funding (\$3,535,286) through requests to Dogwood Health Trust and the City of Asheville.

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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		N
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		Y
Individuals who are age 55 or older		Y
Individuals with a disability		Y
Individuals who are hard to house		Y
Individuals who are homeless		Y
Individuals who are BIPOC		Y
Individuals who are justice involved		Y
Individuals who have vouchers		Y
Project Expenses		
Complete		Y
Reasonable		Y
Project Sources		
Complete		N
Reasonable		Y
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		Y
Shows a healthy financial position		Y
Is a non-profit applicant		Y

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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