

FY 25 AHSP Application Staff Summary: Fitch Irick Development Rocky River Apartments Construction Loan

120 Units to Be Constructed	\$73,750 AHSP Request Per Unit	\$1.00 : \$4.92 Leverage Ratio AHSP \$: Other \$	≤80% AMI Target	30 yr Period of Affordability
\$362,602 Average Cost Per Unit		\$347 Average Cost per Unit Square Foot	1, 2, 3, and 4 Bedrooms per Unit	

Project Description: Fitch Irick Development submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$8,849,950** to construct Rocky River Apartments.

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 (\$8,849,950) is intended to support the \$43,512,259 Rocky River 120-unit construction project. The proposed unit mix includes 28 units for households at ≤30% AMI, 64 units for households at ≤60% AMI, and 28 units for households at ≤80% AMI. The proposed units will serve the general population. The project will accept vouchers and estimates approximately 23.3% of renters will use vouchers. The project is located within the City of Woodfin at 22-48 Reynolds Mountain Blvd. The site is located within a zoning district that permits multifamily developments, and as of March 19, the site has been successfully rezoned with the Town of Woodfin to allow for the proposed development.

Capital Stack: The capital stack includes:

Requested:

- \$18,013,462 in 4% LIHTC (Preapplication submitted; estimate of \$0.90 price per tax credit)
- \$14,636,347 in Fannie Mae Multifamily MBS - Tax-Exempt Bond Collateral Perm Bond (35 years at 5.8%, principal and interest)
- \$8,849,950 from Buncombe County FY 25 AHSP (20 years at 2%, cashflow loan)
- \$1,600,000 from Bond Reinvestment Proceeds

Deferred Developer Fee:

- The project budget indicates \$412,500 in deferred developer fees.

Requested Terms: 20-year term, at an interest rate of 2.00%, annual payment from cashflow with principal balloon. The project appears to demonstrate a need for the cashflow and principal balloon loan structure.

Exceptions to Program Guidelines: None

Consideration for Open Space Bond Activities: The project is not located in an area prioritized for greenways, passive recreation, or conservation.

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

Finance Department Assessment of Audits and Financial Position: Fitch Irick Development provided a timely audit free of qualifications and findings. As of December 31, 2022, Fitch Irick Development'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.

Review of Assumptions: The proforma includes a 40-year permanent loan of \$14,636,347 with an interest rate of 5.8%, in line with the bulk of its peers. The estimated LIHTC equity of \$18,013,462 is based on credit pricing of \$0.90, which is slightly higher than the current market range of \$0.85 - \$0.89. In this project, each \$.01 in tax credit represents roughly \$200,150 in capital stack impact.

The applicant has identified a non-profit partner within their project structure and indicates intention to apply for property tax exemption as allowable in the FY25 AHSP Guidelines.

Proforma Analysis: The applicant requested more funding from Buncombe County (\$8,849,950) than is permitted (\$8,702,452) for a project leveraging a 4% LIHTC award. This creates a gap in the proposed capital stack of \$147,498, which impacts both the sources and operating proforma.

At a 7% vacancy rate, the project could close the gap with an increased deferred developer fee of \$559,998. There would be sufficient cashflow to repay the \$3,480,981 of interest and principal payments for a 20-year AHSP loan of \$8,702,452.

The request to the County could be reduced by increasing the deferred developer fee:

1. If the project were to defer \$823,500 (30%) of the developer fee, the AHSP request could be reduced by \$263,502. At a 7% vacancy rate, this would result in sufficient cashflow to repay 100% of the interest and \$1,224,961 toward the principal for a 20-year AHSP loan of \$8,438,950.
2. If the project were to defer \$1,372,500 (50%) of the developer fee, the AHSP request could be reduced by \$812,502. At a 7% vacancy rate, this would result in sufficient cashflow to repay 100% of the interest and \$1,444,561 toward the principal for a 20-year AHSP loan of \$7,889,950.

Considering a 3% vacancy rate more reflective of our community, the available cashflow would be sufficient to repay 100% of interest and between \$2,364,755 (30% DDF) - \$2,584,355 (50% DDF) toward principal for a 20-year AHSP loan.

Deferred Developer Fee: A maximum deferred developer fee of 50% (\$1,372,500) is permitted under NCHFA LIHTC guidelines. The applicant indicated that their team could underwrite 30% of their developer fee, which would allow some room to absorb an event that would negatively affect the project's feasibility. 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 and accrued interest from soft loans.

Affordable Housing Committee Consideration: The Affordable Housing Committee may recommend a loan between \$7,889,950 - \$8,438,950 with a 20-year term, at an interest rate of 2%, annual payment from cashflow with balloon payment. A lesser loan amount would require the applicant to secure other funding or increase the deferred developer fee to the NCHFA limit. Any award could be supported with general funds, program income or bond funds.

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		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		N
Individuals who are BIPOC		Y
Individuals who are justice involved		N
Individuals who have vouchers		Y
Individuals who are referred by the Continuum of Care		N
Project Expenses		
Complete		Y
Reasonable		Y
Project Sources		
Complete		Y
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		N

FY 25 AHSP: Fitch Irick Development – Rocky River Apartments – New Construction Loan

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	N