

## FY 24 AHSP Application Staff Summary: MHO Star Point Construction Loan

<b>60</b> Units to Be Constructed	<b>\$14,167</b> AHSP Request Per Unit	<b>\$1.00 : \$16.39</b> Leverage Ratio AHSP \$ : Other \$	<b>≤80%</b> AMI Target	<b>40 yr</b> Period of Affordability
<b>\$225,817</b> Average Cost Per Unit		<b>\$340</b> Average Cost per Unit Square Foot		<b>Eff., 1, 2</b> Bedrooms per Unit

**Project Description:** Mountain Housing Opportunities, Inc. submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$850,000** to construct Star Point.

**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 (\$850,000) is intended to support the \$14,779,378 Star Point 60-unit construction project. The proposed unit mix includes 60 units for households at ≤80% AMI with 14 efficiency units, 35 one-bedroom units, and 11 two-bedroom units. The proposed units will serve the general population. 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 in the City of Asheville at 16 Restaurant Court. The project has not received development approval from the City of Asheville. 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:*

- \$850,000 from Asheville Housing Trust Fund (40 years at 0%, principle deferred for 40 years (pending final approval by City Council on April 25, 2023))

*Requested:*

- \$10,798,919 in 9% LIHTC (estimate of \$0.90 price per tax credit)
- \$2,280,458 in permanent financing (35 years at 6.25%, principal and interest)
- \$850,000 from Buncombe County AHSP

*Deferred Developer Fee:*

- \$0 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 \$300,000 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 demonstrates a need for this loan 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'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 \$452,197 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. The applicant is requesting \$850,000 from the AHSP and received a 40-year deferred loan of \$850,000 from the Asheville Housing Trust Fund (AHTF). Assuming the 2% interest rate and no prepayment of principal, a total of \$340,000 of interest is needed for a 20-year loan of \$850,000. At a 7% vacancy, there is not enough cashflow to cover the cashflow loan interest payments, leaving the principal balloons and unpaid interest. Interest payments are achievable at 5% vacancy and less. It is highly likely that the vacancy rate will be less than 7%. At 3% vacancy, a reasonable vacancy rate in our community, there is sufficient cash flow for repayment of interest due.

*Review of Assumptions:* The proforma includes a 35-year permanent loan with an interest rate of 6.25% 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. At this time, the Development Finance Institute estimates the price of the current tax credit to be \$0.85 - \$0.89. In this project, each \$.01 in tax credit represents roughly \$120,000 in capital stack impact.

*Deferred Developer Fee:* The proforma includes a deferred developer fee. A maximum of 25% (\$300,000) is permitted to be proposed without negatively impacting NCHFA LIHTC project scoring. The request to the County could be reduced by including a 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.

**Affordable Housing Committee Consideration:** The Affordable Housing Committee may recommend a loan up to \$850,000 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.

<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		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		N
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