

FY 25 AHSP Application Staff Summary: Roers Companies Roers Asheville Affordable – Pine Lane Construction Loan

126 Units to Be Constructed	\$68,405 AHSP Request Per Unit	\$1.00 : \$4.29 Leverage Ratio AHSP \$: Other \$	≤60% AMI Target	30 yr Period of Affordability
\$362,025 Average Cost Per Unit		\$357 Average Cost per Unit Square Foot		1, 2, 3 and 4 Bedrooms per Unit

Project Description: Roers Companies submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$8,619,031** to construct Roers Asheville Affordable – Pine Lane.

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 (\$8,619,031) is intended to support the \$45,615,157 Pine Lane 126-unit construction project. The proposed unit mix includes 126 units for households at ≤60% AMI with 14 one-bedroom units, 28 two-bedroom units, 63 three-bedroom units and 21 four-bedroom units. The proposed units will serve the general population. The application does not indicate how many vouchers may be utilized but will comply with the North Carolina Housing Finance Agency (NCHFA) requirements and encourage voucher usage. The project is located within the City of Asheville at 9999 Pine Lane. The applicant has begun the City of Asheville’s Technical Review Committee preapplication process and has a purchase option on the site.

Capital Stack: The capital stack includes:

Committed:

- None

Requested:

- \$16,765,626 in 4% LIHTC (estimate of \$0.85 price per tax credit)
- \$14,460,000 in tax exempt bond financing (40 years at 6.26%, principal and interest)
- \$8,619,031 from Buncombe County FY 24 AHSP (20 years at 2%, cashflow loan)
- \$3,879,366 from Asheville Housing Trust Fund (20 years at 2%, interest only)

Deferred Developer Fee:

- The project budget indicates \$1,891,133 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: In lieu of an audit, Roers Companies provided a review from Mahoney CPAs and Advisors, which states the financials are free from need of future modification. As of December 31, 2022, Roers Companies' 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 \$14,460,000 with an interest rate of 6.26% in line with the bulk of its peers. The applicant assumes a 5% vacancy rate in the operating proforma and the permanent lender is in alignment with this assumption, as indicated in the term sheet.

The estimated LIHTC equity of \$16,765,626 is based on credit pricing of \$0.85, which is on the lower end of the current market range of \$0.85 - \$0.89. In this project, each \$.01 in tax credit represents roughly \$197,242 in capital stack impact. The project will be structured to include a non-profit partner and applicant intends to leverage property tax exemption in its operating proforma as allowable in the FY25 AHSP Guidelines.

The applicant has indicated the intent to defer \$1,891,133 (75%) of the developer fee, which would require a rare exception from NCHFA to exceed the 50% limit defined in the 2024 QAP. Without approval from the NCHFA to defer more than \$1,260,000 (50%) of the developer fee, the project would have a funding gap of \$631,133. The applicant has indicated a General Partner loan would be available to cover the shortfall.

The capital stack includes a \$3,879,366 Housing Trust Fund (HTF) loan from the City of Asheville with a 20-year term at 2% interest and principal deferred. The applicant has requested special cash flow financing terms in their HTF application. If approved, the loan would accrue \$1,551,746 in interest.

Proforma Analysis: The applicant provided revised rental income assumptions to the submitted proforma that would comply with the NCHFA underwriting requirements (a 7% vacancy rate and 1.15 debt service coverage ratio). At a 7% vacancy rate and an award of \$8,619,031 with the requested terms, the project could generate sufficient cash flow to repay a \$1,260,000 deferred developer fee and \$3,447,612 in interest for the AHSP loan. The same would hold true at a 3% vacancy rate with additional cashflow available to reduce the principal balloon.

Considering the 40-year term and 6.26% interest rate indicated in the proforma, the project could support a higher permanent loan of \$16,116,847. The additional financing could reduce the AHSP request by as much as \$1,025,703. With a smaller AHSP award of \$7,593,318, the project could repay \$3,037,327 in interest and a smaller portion of the principal balloon.

Deferred Developer Fee: A maximum deferred developer fee of 50% (\$1,260,000) is permitted under NCHFA LIHTC guidelines. However, the applicant intends to apply for a waiver through NCHFA to allow

them to defer greater than 50% of their developer fee. If approved, the applicant plans to defer \$1,891,133, or 75% of their developer fee.

Affordable Housing Committee Consideration: The Affordable Housing Committee may recommend a loan between \$7,593,318 - \$8,619,031 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 increase the permanent financing or secure other funding to complete the capital stack. 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%		N
<50%		Y
<30%		Y

Designed to Serve		
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		N
Individuals who are referred by the Continuum of Care		N
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		Y
Is a non-profit applicant		N

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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