

## FY 25 AHSP Application Staff Summary: Buckeye Community Hope Foundation Redwood Commons Construction Loan

<b>70</b> Units to Be Constructed	<b>\$53,699</b> AHSP Request Per Unit	<b>\$1.00 : \$7.04</b> Leverage Ratio AHSP \$ : Other \$	<b>≤60%</b> AMI Target	<b>30 yr</b> Period of Affordability
<b>\$276,130</b> Average Cost Per Unit		<b>\$273.20</b> Average Cost per Unit Square Foot		<b>1 and 2</b> Bedrooms per Unit

**Project Description:** Buckeye Community Hope Foundation submitted a **New Construction Units for Rent Multifamily Loan** application requesting \$1,932,816 in addition to the \$1,826,000 committed to the project through FY24 AHSP to construct Redwood Commons.

**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 (\$3,758,907) is intended to support the \$19,329,072 Redwood Commons 70-unit construction project. The proposed unit mix includes 70 units for households at ≤60% AMI with 54 one-bedroom units and 16 two-bedroom units. The proposed units will serve households over age 55 and 18 units will serve households at 30% AMI, 10 units will serve households at 50% AMI, and 42 units will serve households at 60% AMI. The project applied for and received 9% Low Income Housing Tax Credits (LIHTC) and an RPP loan from the North Carolina Housing Finance Agency (NCHFA). The project is in the City of Asheville at 21 Governors View Road. The project has received conditional zoning approval but has not received final TRC approval for site plan or building design from the City of Asheville. The site is currently under option agreement. The project, given its LIHTC award, will accept vouchers, and estimates approximately 25% of renters will use vouchers.

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

*Committed:*

- \$10,678,932 in 9% LIHTC Net Equity (estimate of \$0.89 price per tax credit)
- \$800,000 in NCHFA RPP Loan (20 years at 2%, cashflow loan)
- \$1,800,000 from Asheville Housing Trust Fund (20 years at 2%, cashflow loan)
- \$10,000 from an owner investment

*Requested:*

- \$3,758,907 from Buncombe County AHSP (20 years at 2%, cashflow loan)
- \$2,000,000 in permanent financing (40 years at 6.25%, principal and interest)
- \$20,000 in additional permanent financing with a rate lock refund

*Deferred Developer Fee:*

- \$261,234 in deferred developer fee (according to the FY22 NCHFA 9% LIHTC QAP a maximum of \$525,000 can be deferred).

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

**Exceptions to Program Guidelines:** The applicant's request exceeds the maximum loan that can be provided within program guidelines by \$1,825,999 (a maximum loan of \$1,932,907 can be provided, which is 10% of project costs).

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

**Finance Department Assessment of Audits and Financial Position:** Buckeye Community Hope Foundation and Affiliates (BCHF) provided a timely audit free of qualifications and findings. As of June 30, 2023, BCHF'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:* Assumptions made in the proforma include a 40-year permanent loan with an interest rate of 6.25% and LIHTC credit pricing of \$0.89. This application provided a comparable estimated permanent loan interest rate among 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. In this project, each \$0.01 in tax credit represents roughly \$112,000 in capital stack impact.

The project's RPP loan of \$800,000 is structured with a 20-year term at 2% interest with minimum principal and interest payments necessary for the project to maintain a 1.15 debt service ratio and a balloon payment at maturity. The applicant also has another soft loan with the Asheville Housing Trust Fund (AHTF) of \$1,800,000. The applicant intends to leverage property tax exemption in its operating proforma as allowable in the FY25 AHSP Guidelines. When compared to a proforma submitted to us with their FY24 application, the project costs have increased by \$1,040,071, with the bulk of this increase occurring in the Construction cost category. However, this is aligned with the development proformas of our other returning applicants with gaps attributed to increases in construction costs.

*Proforma Analysis:* The applicant requested more funding from Buncombe County (\$3,758,907) than is permitted (\$1,932,907). This creates a gap in the capital stack of \$1,826,000 which impacts both the sources and operating proforma.

Based on the project's proposed net operating income, the project could support a permanent loan of \$2,375,282. At a 7% vacancy rate, the project could increase its deferred developer fee to \$268,824 and comply with the NCHFA requirement for repayment within 15 years. With a maximum allowable AHSP loan amount \$1,932,907, the project would still have a funding gap of \$1,443,127.

Considering a 3% vacancy rate more reflective of our community, the project could support the larger permanent loan and a deferred developer fee of \$327,449. With 2% interest for a 20-year AHSP loan of \$1,932,907, the project would not generate enough cashflow to repay \$773,163 of accrued interest and would not be able to close the funding gap.

*Deferred Developer Fee:* The proforma includes a deferred developer fee of \$261,234. Since the project has already received their tax credits, a maximum deferred developer fee of \$525,000 is permitted under NCHFA LIHTC guidelines. The request to the County could be reduced by increasing the deferred developer fee.

**Affordable Housing Committee Consideration:** The Affordable Housing Committee may recommend a loan up to \$1,932,907 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. Staff anticipate, based on the operating proforma, that there will be no prepayment of principal and cashflow will not be sufficient to cover the accrued interest at year 20. The applicant will need to identify alternative sources, such as the City of Asheville's current HOME funding application, to complete its capital stack and to inform an updated operating proforma.

<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		N
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		N
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		N
Individuals who are justice involved		N
Individuals who have vouchers		Y
<b>Project Expenses</b>		
Complete		N
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

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CONSTRUCTION PROJECT ADDITIONAL SUMMARY INFO	Y/N
<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