FY 25 AHSP Application Staff Summary: LDG Meribel Construction Loan

156	$65,979	$1.00 : $4.00	≤80%	30 yr
Units to Be Constructed	AHSP Request Per Unit	Leverage Ratio AHSP $: Other $	AMI Target	Period of Affordability

$329,894	$246	1, 2, and 3
Average Cost Per Unit	Average Cost per Unit Square Foot	Bedrooms per Unit

Project Description: LDG Multifamily, LLC submitted a **New Construction Units for Rent Multifamily Loan** application requesting **$1,824,502** as an addition to the existing **$8,468,195** FY 24 AHSP allocation to construct Meribel for a combined total of **$10,292,697**.

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 (**$10,292,697**) is intended to support the $51,463,485 Meribel 156-unit construction project. The proposed unit mix includes 74 units for households at ≤80% AMI, 24 units for households at ≤60% AMI, and 58 units for households at ≤30% AMI with 24 one-bedroom units, 72 two-bedroom units, and 60 three-bedroom units. The project was approved for 4% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA) in January 2024. The project is in the Town of Weaverville at 171 Monticello Road. The Town of Weaverville approved necessary annexation and conditional zoning and the community is fully entitled for its proposed use. The site is currently under option agreement and will be purchased with bonds issued as part of the 4% LIHTC program (16 yr. term, 40 yr. amortization, rate approximately 6%). The applicant intends for 58% of the project to assist households with vouchers, indicating that they will request Project Based Vouchers from Asheville Housing Authority, which will ultimately require approval from HUD.

Capital Stack: The capital stack includes:

Committed:

- $500,000 in Asheville HOME Consortium (anticipated 20 years at 4%, cashflow loan)
- $15,047,117 in 4% LIHTC (estimate of $0.84 price per tax credit)
- $24,186,000 Permanent Loan (40 years at 6.00%, principal and interest)

Requested:

- $ 10,292,697 in Buncombe County FY 25 AHSP (20 years at 2%, cashflow loan)

Deferred Developer Fee:

- $1,437,671 in deferred developer fee (according to the FY24 NCHFA 4% LIHTC QAP a maximum of $1,560,000 can be deferred).

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

Exceptions to Program Guidelines: None.

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

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

Finance Department Assessment of Audits and Financial Position: LDG Multifamily LLC and Subsidiaries (LDG) provided a relatively timely audit free of qualifications and findings. As of December 31, 2022, LDG'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 16-year permanent loan with an interest rate of 6.00% and LIHTC credit pricing of $0.84. The interest rate assumed for the permanent loan is in line with the bulk of its peers. 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 $179,132 in capital stack impact. Therefore, the project may be underestimating the revenue they can generate from their tax credits. If the project were able to secure LIHTC credit pricing of $0.87, this would increase the LIHTC Equity by $537,397, which may support a reduction in their financing gap.

Proforma Analysis: When compared to a pro forma submitted for the project's FY24 AHSP application, the project costs have increased by $1,521,453.

An operating proforma with a 7% vacancy rate includes $3,625,827 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. At a 3% vacancy rate, the cashflow would be enough to pay the combined $4,517,079 interest accrued by the HOME loan and the AHSP loan beyond the debt service coverage ratio.

If the project were to include its non-profit entity in the partnership, this would allow them to apply for property tax exemption. Based on the 40-year permanent loan with a 6.125% interest rate, an estimated $228,938 property tax exemption could allow the project to support a larger permanent loan of $27,153,711. It appears that the current AHSP award would be sufficient to complete the capital stack and exceed any current funding gap.

Deferred Developer Fee: The proforma includes a deferred developer fee of $1,437,671. A maximum of $1,560,000 in deferred developer fee is permitted without impacting project scoring under NCHFA LIHTC guidelines.

Affordable Housing Committee Consideration: The Affordable Housing Committee may recommend up to $8,468,195 with a 20-year term, at an interest rate of 2%, annual payment from cashflow with balloon payment to be reallocated to the FY25 application cycle and allow the project to seek property tax exemption.

The AHSP policy does not require projects to pursue a tax exemption and the applicant has not included a non-profit entity in the proposed partnership. Without leveraging the property tax exemption, the project would not be in a position to attract $2,967,711 in additional permanent loan sources, leaving a $1,824,502 gap.

The Affordable Housing Committee may also recommend up to the maximum loan limit of $10,292,697 (20% of cost per affordable unit) with a 20-year term, at an interest rate of 2%, annual payment from cashflow with balloon payment.

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	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 referred from the Continuum of Care	N
Individuals who have vouchers	Y
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

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