

FY 25 AHSP Application Staff Summary: Laurel Street Residential – 319 Biltmore Apartments Construction Loan

67 Units to Be Constructed	\$29,104 AHSP Request Per Unit	\$1.00 : \$32.62 Leverage Ratio AHSP \$: Other \$	≤80% AMI Target	43 yr Period of Affordability
\$296,671 Average Cost Per Unit		\$277 Average Cost per Unit Square Foot		Eff., 1, 2, 3 Bedrooms per Unit

Project Description: Laurel Street Residential, LLC submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$1,950,000** to construct the 319 Biltmore 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 (\$1,950,000) is intended to support the \$65,564,313 total project cost for 319 Biltmore Apartments, a 221-unit mixed income construction project. The proposed unit mix includes 67 affordable units with 22 units for households at ≤80% AMI and 45 units designated for households at or below 60% AMI. It is anticipated that 33 units will utilize Project Based Vouchers. The remaining 154 units will be unrestricted market rate units. The project will include efficiency apartments, as well as 1, 2 and 3-bedroom units. The plans indicate potential retail space less than 2,000 square feet. The proposed units are intended to serve the general and diverse population. The project is located within the City of Asheville at 3 & 4 John Walker Avenue. The applicant has a purchase agreement with the City of Asheville to acquire the property for \$1 in exchange for committing 20% of the units as affordable for a minimum of 20 years. Conditional zoning was approved from the City of Asheville in June 2023 and building permits are expected in June 2024.

Capital Stack: The capital stack includes:

Committed:

- \$42,024,500 from HUD 221(d)(4) Program loan (40 years at 6%, principal and interest)
- \$21,589,813 from private equity
- \$1 acquisition of property from the City of Asheville (represents \$5,700,000 from the Affordable Housing Bond)

Requested:

- \$1,950,000 from Buncombe County AHSP (43 years at 1%, cashflow loan with principal balloon)

Deferred Developer Fee:

- The project budget indicates \$0 in deferred developer fees.

Requested Terms: 43-year term, at an interest rate of 1% interest only cash flow loan with principal balloon, subject to the subordination requirements of the HUD 221(d)(4) insured mortgage program.

Exceptions to Program Guidelines: The requested terms and interest rate do not align with the standard, optional or special terms approved in the AHSP Guidelines.

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: Laurel Street Residential, LLC provided a relatively timely audit free of qualifications and findings. As of December 31, 2022, Laurel Street Residential, LLC'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 project budget reflects the full cost of the 221-unit development. Any AHSP loan would be limited to 10% of the cost of the 67 proposed affordable units. The \$1,950,000 would reasonably reflect the total cost of the affordable units in proportion to market rate units and ancillary retail space.

The proforma includes a 40-year HUD 221(d)(4) Program loan of \$42,024,500 with an interest rate of 6% in line with the bulk of its peers. The project does not include Low Income Housing Tax Credits and would not be subject to the IRS program regulations or the North Carolina Housing Finance Agency requirements.

Proforma Analysis: Based on the proposed net operating income at a 7% vacancy and the terms of the HUD 221(d)(4) Program loan, the project could support a permanent loan up to \$43,441,949. This would reduce the indicated gap by \$1,417,449. The project could also defer a portion of the \$2,977,866 developer fee. A deferred developer fee of \$532,551 (18%) could be repaid from cash flow within 2 years and would complete the capital stack without AHSP funds. Affordability for 44 of the units would be established for a minimum of 20 years through the City of Asheville's deed restriction as a condition of the approved sale.

If the project were to maintain the \$42,024,500 permanent loan and defer \$749,467 (25%) of the developer fee, the AHSP request to complete the capital stack would be \$1,200,534. By deferring \$1,498,933 (50%) of the developer fee, the AHSP request could be reduced to \$451,067. In either case, the deferred developer fee could be paid in roughly 5 years and any AHSP loan could be awarded with the standard loan terms defined in the AHSP guidelines:

- 7 year term, fully amortizing at an interest rate of 2.50%, annual principal and interest payment
- 10 year term, fully amortizing at an interest rate of 2.75%, annual principal and interest payment
- 15 year term, fully amortizing at an interest rate of 3.25%, annual principal and interest payment
- 20 year term, fully amortizing at an interest rate of 3.75%, annual principal and interest payment

The affordability period for would correspond to the term of the AHSP loan. This request would add 23 affordable units to the 44 currently secured by the City of Asheville's commitment.

Deferred Developer Fee: The proforma does not include a deferred developer fee. The request to the County could be reduced by including a deferred developer fee. For reference, viable projects seeking

LIHTC from NCHFA may defer up to 25% without impacting competitive scoring and awarded projects may defer up to 50% under the program guidelines.

Affordable Housing Committee Consideration: The Affordable Housing Committee may recommend a loan up to \$1,950,000 with one of the AHSP standard loan terms. This loan could be supported with general fund 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		N
Aligns with the selected strategic goal		Y
Designed to Serve Households with AMI		
<80%		Y
<50%		N
<30%		N

Designed to Serve		
General populous eligible for the program		Y
Individuals who are age 55 or older		N
Individuals with a disability		N
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		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		

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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)	Y
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