

## FY 25 AHSP Application Staff Summary: Volunteers of America National Services Construction Loan

<b>104</b> Units to Be Constructed	<b>\$7,692</b> AHSP Request Per Unit	<b>\$1.00 : \$31.45</b> Leverage Ratio AHSP \$ : Other \$	<b>≤80%</b> AMI Target	<b>30 yr</b> Period of Affordability
<b>\$247,617</b> Average Cost Per Unit		<b>\$235</b> Average Cost per Unit Square Foot		<b>1 and 2</b> Bedrooms per Unit

**Project Description:** Volunteers of America National Services (VOANS) has submitted a **New Construction Units for Rent Multi-family Loan** application requesting the **\$800,000** FY23 AHSP award be reallocated from the FY25 AHSP budget which would allow the project to seek tax exemption under current program guidance.

**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 (\$800,000) is intended to support the \$25,960,184 Laurel Wood 105-unit construction project creating 104 affordable units. The proposed unit mix includes 16 one-bedroom and 2 two-bedroom units for households at ≤80% AMI; 26 one-bedroom and 2 two-bedroom for households at ≤60% AMI; 35 one-bedroom units for households at ≤50% AMI; 8 two-bedroom units and 15 one-bedroom units for households at ≤40% AMI.

The project has an existing \$800,000 AHSP commitment which it would like to retain. Since the original commitment, the project cost has increased by approximately \$5,400,000 mainly due to increasing construction, site, and financing costs. To address the gap, VOANS is asking for property tax exemption under the FY25 AHSP program guidelines. A breakdown of the new capital stack is provided below.

The project has received 4% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA). The applicant retains site control.

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

*Committed:*

- \$10,438,523 in 4% LIHTC (estimate of \$0.93 price per tax credit)
- \$9,300,000 Piper Sandler tax-exempt bonds (18 years at 6.18%, principal and interest)
- \$2,316,505 Seller loan (40 years at 7%, cashflow loan)
- \$1,500,000 Asheville Housing Trust Fund (30 years at 2%, cashflow loan)
- \$800,000 FY23 AHSP (20 years at 2%, cashflow loan)
- \$750,000 VOANS Capital Magnet Fund Loan (40 years at 0%, principle deferred for 40 years)

- \$433,894 Seller reserves
- \$197,748 Interest earnings on bonds proceeds
- \$70,230 Permit Fee Rebates

*Requested:*

- \$23,023 Energy Efficiency Rebates

*Deferred Developer Fee:*

- \$130,261 in deferred developer fee

**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.

**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:** Volunteers of America National Services and Subsidiaries provided a relatively timely audit free of qualifications and findings. As of June 30, 2023, VOAN'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.

*Tax exemption:* VOAN is seeking tax exemption for the entire project. Real estate property taxes increase annual operating expenses. Approving tax exemption increases the amount VOAN can borrow and increases cash flow for loan repayment. The applicant is not requesting additional funding to cover increased costs other than the original \$800,000 FY23 AHSP allocation.

*Proforma Analysis:* Taking into consideration tax exemption, at 7% vacancy, there is not enough cashflow to cover the cashflow loan interest payments, leaving the principal balloons and unpaid interest. It is highly likely that the vacancy rate will be less than 7%. Laurel Wood's proforma uses a stabilized vacancy rate of 5.5%. Interest payments are achievable at 5.5% vacancy and assuming no annual property tax payments. At 3% vacancy, a reasonable vacancy rate in our community, there appears to be sufficient cash flow for repayment of interest and some principal.

*Review of Assumptions:* The proforma includes a 60-year permanent loan with an interest rate of 6.18%. The LIHTC credit pricing of \$0.93 is above the current tax credit rate of \$0.85 - \$0.89. In this project, each \$.01 in tax credit represents roughly \$112,000 in capital stack impact.

**Affordable Housing Committee Consideration:** The Committee may recommend \$800,000 award to be reallocated through the FY25 AHSP budget which would allow Laurel Wood to seek tax exemption and result in a balanced 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		Y
Aligns with the selected strategic goal		Y
<b>Designed to Serve Households with AMI</b>		
<80%		Y
<50%		Y
<30%		N

<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		N
Individuals who have vouchers		Y
Individuals who are referred by the Continuum of Care		Y
<b>Project Expenses</b>		
Complete		Y
Reasonable		Y
<b>Project Sources</b>		
Complete		Y
Reasonable		Y
Includes leveraging additional investment (non-AHSP funds)		Y
<b>Project Schedule</b>		
Complete		Y
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

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	N
Is coordinated with employment, services, and existing infrastructure	Y
Is located within 3/4 miles of a public transportation route	Y