

## FY 25 AHSP Application Staff Summary: WDT – Lofts at Swannanoa Construction Loan

<b>52</b> Units to Be Constructed	<b>\$7,304</b> AHSP Request Per Unit	<b>\$1.00 : \$37.87</b> Leverage Ratio AHSP \$ : Other \$	<b>≤80%</b> AMI Target	<b>30 yr</b> Period of Affordability
<b>\$283,895</b> Average Cost Per Unit		<b>\$243</b> Average Cost per Unit Square Foot		<b>1 and 2</b> Bedrooms per Unit

**Project Description:** WDT Development LLC. submitted a **New Construction Units for Rent Multifamily Loan** application requesting **\$379,787** to construct Lofts at Swannanoa.

**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 (\$379,787) is intended to support the \$14,762,536 Lofts at Swannanoa 52-unit construction project. The proposed unit mix includes 52 units for households at ≤80% AMI with 32 one-bedroom units and 20 two-bedroom units. The proposed units will serve households over age 55. The project made preapplication for 9% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA) and has received the highest possible site score. The final application, if all commitments to the capital stack are identified, can be submitted by the applicant in May 2024. The project is located at 2236 US Highway 70 in in Swannanoa. The project is seeking special use permit approval from the County. The site is currently under option agreement. The project estimates approximately 50% of renters will use vouchers.

The applicant informed staff that the project would be seeking \$193,207 from the HOME funding opportunity published after the close of the AHSP application and provided adjustments to the operating proforma to account for updated market study results indicating lower actual rents for some units.

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

*Committed:*

- None

*Requested:*

- \$10,860,836 in 9% LIHTC (estimate of \$0.84 price per tax credit)
- \$1,878,706 in permanent financing (35 years at 7%, principal and interest)
- \$780,000 from NCHFA Rental Production Program (20 years at 2%, cashflow loan)
- \$500,000 from NCHFA Workforce Housing Loan Program (30 years at 0%, deferred loan)
- \$379,787 from Buncombe County AHSP (20 years at 2%, cashflow loan)
- \$193,207 from HOME loan (assumed 20 years at 2%, cashflow loan)

*Deferred Developer Fee:*

- The project budget indicates \$170,000 in deferred developer fees.

**Requested Terms:** 20-year term, at an interest rate of 2.00%, annual payment from cashflow with principal balloon.

**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:** WDT Development (WDT) provided a review from Phillips, Dorsey, Thomas, Waters & Brafford, PA, which states the financials are free from need of future modification. Since WDT has not provided an audit, a determination of financial position was not made. As of December 31, 2022, WDT'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 initial capital stack indicated a 35-year permanent loan of \$2,070,000 with an interest rate of 7%. This is the highest interest rate of the submitted applications. With the lower indicated rents, the project would have less operating income, resulting in a smaller \$1,878,706 loan and would also require a lower 6.66% interest rate. The \$193,207 HOME program loan is intended to help close the gap and expected to have a 20-year term and 2% interest, which would accrue \$77,283 of interest to be repaid from cashflow.

The estimated LIHTC equity of \$10,860,836 is based on credit pricing of \$0.84, which is just below the current market range of \$0.85 - \$0.89. In this project, each \$.01 in tax credit represents roughly \$129,000 in capital stack impact.

With 0% interest, the 30-year, deferred loan of \$500,000 from the Workforce Housing Loan Program will not require any debt service or cashflow payments. The RPP loan of \$780,000 would be 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.

*Proforma Analysis:* Considering a 7% vacancy rate, it appears the project could support a 35-year permanent loan of \$1,878,706 with an interest rate of 6.6% and repay a \$175,756 deferred developer fee by year 15. The project could also make proportional payments from available debt service for the three soft loans (\$780,000 from RPP, \$379,787 from the AHSP and a \$193,207 HOME loan). There would be sufficient cash flow to repay 57% of interest on the soft loans leaving the principal balloons. At a 3% vacancy, all of the interest and some principal could be repaid by year 20.

If the applicant were to assume a moderately higher \$0.87 price per tax credit, the available equity would increase to \$11,248,723. Adding \$387,887 to the capital stack could reduce the funding gap to \$179,35.

*Deferred Developer Fee:* \$175,756 in deferred developer fee. According to the FY24 NCHFA 9% LIHTC QAP a maximum of 25% can be deferred without an impact to project scoring (up to \$292,500 can be

deferred without impact to project scoring) and must be able to be repaid by year 15. Based on the information provided, the project does not appear to have the capacity for a higher amount.

**Affordable Housing Committee Consideration:** The Affordable Housing Committee may recommend a loan up to \$379,787 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.

<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%		Y

<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		Y
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		N
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

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<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

<b>CONSTRUCTION PROJECT ADDITIONAL SUMMARY INFO</b>	<b>Y/N</b>
<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