# FY 27 AHSP Application Staff Summary: Commonwealth Development Corporation of America - District East Commons - New Construction

| 93 | $7,500 | $1.00 : $36.69 | ≤70% | 35 yr |
|---|---|---|---|---|
| Units to Be Constructed | AHSP Request Per Unit | Leverage Ratio AHSP $ : Other $ | AMI Target | Period of Affordability |

| $282,662 | $318 | 1 and 2 |
|---|---|---|
| Average Cost Per Unit | Average Cost per Unit Square Foot | Bedrooms per Unit |

**Project Description:** Commonwealth Development Corporation of America submitted a **New Construction Units for Rent Multifamily Loan** application requesting **$697,500** to construct District East 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 request ($697,500) is intended to support the $26,381,426 District East Commons 93-unit construction project. The project will serve seniors (55+). The proposed unit mix includes 14 units for households at ≤30% AMI and 69 units for households at ≤70% AMI. Units will be divided between 60 one-bedroom units and 33 two-bedroom units. The project will accept vouchers with an estimated 20% of renters will use vouchers. The property is located within the City of Asheville at 1311 Tunnel Road. The site is located within a zoning district that permits multifamily developments and the applicant has site control.

The project made preliminary application for 9% Low Income Housing Tax Credits (LIHTC) from the North Carolina Housing Finance Agency (NCHFA). The project received the maximum 68 site score points which reflects neighborhood characteristics, access to amenities and suitability of the location for housing. The final application, if all commitments to the capital stack are identified, can be submitted by the applicant in May 2026.

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

- $100 General Partner Equity

*Requested:*

- $12,973,703 in 9% LIHTC (Preliminary application submitted; estimate of $0.85 price per tax credit)
- $6,011,000 permanent loan (15 years amortized for 40 years at 6.54%, principal and interest)
- $2,000,000 mezzanine loan from WNC Affordable Housing Loan Fund (15 years at 2.45%, interest only)

- $3,000,000 CDBG-DR loan from North Carolina Housing Finance Agency (NCHFA) (30 years at 0%, balloon payment at maturity)
- $1,385,000 City of Asheville (COA) CDBG-DR (35 years at 0%, annual payments of 50% cashflow)
- $697,500 from Buncombe County FY 25 AHSP (20 years at 2%, cashflow loan)

*Deferred Developer Fee:*

- The project budget includes $2,232,000 in developer fees and indicates $314,123 (14%) will be deferred.

**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.

**Finance Department Assessment of Audits and Financial Position:** Commonwealth Development Corporation of America provided a timely audit free of qualifications and findings. As of December 31, 2024, Commonwealth Development Corporation of America's financials show a reasonably healthy financial position.

**Borrower Entity:** The applicant will be a member in the formation of a limited liability corporation, District East Commons, LLC, as the borrower and development entity.

## 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 capital stack includes a 15-year permanent loan of $12,973,703 amortized over 40 years with an interest rate of 6.54%. The interest rate is in line with the bulk of its peers, but the project will need to refinance by year 15 in order to address the principal and interest balloon due at maturity.

The developer is seeking a $2,000,000, 15-year mezzanine loan from the WNC Affordable Housing Loan Fund with 2.45% interest only annual payments. Based on the lender's 1.1 debt service coverage ratio, the $49,000 interest payment will take priority over other cashflow payments. The loan will also need to be refinanced by year 15 to address the principal balance.

The project has included a $3,000,000 CDBG-DR loan from NCHFA as a component of the LIHTC application which does not have any impact on the debt service or cashflow with 0% interest and deferred payments of 30 years.

The applicant has requested a 35-year $1,385,000 CDBG-DR loan from the City of Asheville with 0% interest and annual principal payments. (The submitted AHSP application anticipated a $930,000 request prior to the City of Asheville CDBG-DR application deadline.) The City's CDBG-DR guidelines indicate the annual loan payment would be calculated at 50% of cashflow or 50% of remaining cashflow after deferred developer fee payment to ensure project feasibility.

The estimated LIHTC equity of $12,823,718 is based on credit pricing of $0.85, which is at the upper end of the current market range of $0.83 - $0.85. In this project, each $.01 in tax credit represents roughly $150,867 in capital stack impact.

The applicant has not identified a non-profit partner within the project structure, but the operating expenses do not include property taxes which indicates the project will leverage non-profit property tax exemption as allowable in the AHSP Guidelines.

*Deferred Developer Fee:* A maximum deferred developer fee of $1,116,000 (50%) is permitted under NCHFA LIHTC guidelines provided repayment can be accomplished within 15 years.

*Proforma Analysis:* The applicant submitted a proforma reflecting the permanent and mezzanine loans will need to be refinanced at year 15. Although it is common for LIHTC projects to refinance at the end of the 15-year tax credit compliance period, the process is not without potential risk for a subordinate lender in a cashflow position, if the project cannot secure adequate financing with favorable terms. The submitted proforma does not indicate how the existing debts will be restructured for the last 5 years of the requested AHSP loan. Buncombe County would need to evaluate the status of the project at that time to determine whether to require full repayment or subordinate to a new lender.

The submitted proforma demonstrates a need for the cashflow and principal balloon loan structure. The $314,123 deferred developer could be repaid by year 15 and the remaining cashflow would support a partial payment of the annual interest for the AHSP request. The calculated interest payments would total $184,500 which is approximately 80% of interest accrued when the project needs to refinance.

The model indicates that only $4,779 would be available to the $1,385,000 CDBG-DR loan if the terms are approved by the City of Asheville.

The proforma does include a $563 annual replacement reserve for each unit in the operating expense budget. This is significantly higher than the $250 required by the NCHFA for tax credit applications in the 2026 Qualified Allocation Plan (QAP). Considering the lower $250 replacement reserve for each unit, the project would have more net operating income to support a permanent loan of $6,371,555 and deferred developer fee of $651,068 (29%) which would eliminate the need for the ASHP request.

*Community Development Block Grant - Disaster Recovery (CDBG-DR):* The project budget assumes a $3,000,000 CDBG-DR award as a component of the 2026 LIHTC application. According to the 2026 QAP, projects that request but do not receive CDBG-DR funds may result in an ineligible LIHTC application due to an incomplete capital stack.

**Affordable Housing Committee Consideration:** Community Development Division staff have reviewed the request and determined alternative assumptions regarding replacement reserves may result in a successful LIHTC application and a complete project without an AHSP funding commitment.

If the higher replacement reserve is required by another funder, the project does demonstrate a need for the requested funds. The Affordable Housing Subcommittee may recommend a loan up to $697,500 with a 20-year term, at an interest rate of 2%, annual payment from cashflow with principal balloon. Given the anticipated refinancing ahead of the requested 20-year term, Community Development Division staff would advise any funding award to require interest only annual payments.

| 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 |
| Aims to impact at least one Social Determinant of Health | 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 | Y |
| Individuals with a disability | Y |
| Individuals who are hard to house | N |
| Individuals who are homeless | N |
| 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 | N |
| Individuals who have been affected by Helene | 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 |
| Includes a non-profit entity in the development organization | 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 |