BUNCOMBE COUNTY AFFORDABLE HOUSING SERVICES PROGRAM (AHSP)

PROGRAM DESCRIPTION

I. PRIORITY

Ensure comprehensive opportunities for affordable and safe housing as a foundation for healthy and thriving families and neighborhoods.

II. BACKGROUND

Buncombe County's Affordable Housing Services Program (AHSP) is intended to ensure comprehensive opportunities for affordable and safe housing are available. AHSP supports the:

- Construction Loan Program (Loan);
- Downpayment Assistance Program (Loan);
- Tenant-Based Rental Assistance Program (Grant);
- Construction Grant Program (Grant);
- Emergency Repair Program (Grant);
- ~~New Start Program (Grant);~~ and
- Administrative Support Program (Grant).

III. ADMINISTRATION

The Affordable Housing Subcommittee (the Subcommittee) may review AHSP applications and make recommendations regarding funding allocations including contract terms, loan interest rates and loan deferral to the Board of Commissioners.

The CD Division is authorized to:

- Administer funds budgeted by the Board of Commissioners for the AHSP;
- Contract with community partners, including AHSP applicants and recipients, on behalf of Buncombe County consistent with the spirit and intent of the guidelines contained herein and after consideration of the recommendations from the Subcommittee; and
- Finalize scope, lien position, and/or other specific aspects of AHSP agreements consistent with the spirit and intent of the guidelines contained herein.

IV. APPLICATION PROCESS

CD Division staff will advertise a request for proposals (RFP) to solicit project applications from qualified entities and organizations to administer and deliver AHSP supported affordable housing projects. CD Division staff will contact applicants who have requested notification and notify them of the AHSP funding opportunity.

The AHSP application will be made available online with a prescribed deadline for submittal. CD Division staff will review applications and prepare a summary report for each project, which will be provided to the Subcommittee for review. The Subcommittee will make recommendations to the Board of Commissioners to approve, through the budget process, funding allocations.

V. AFFORDABLE HOUSING GOALS

- Increase the supply of Affordable Housing for rent
- Increase the supply of Affordable Housing for homeownership~~, especially for BIPOC households~~

- Preserve the supply of Naturally Occurring Affordable Housing (NOAH)
- Support activities that achieve functional zero Homelessness
- Support activities that encourage the use of all vouchers

VI. AFFORDABLE HOUSING OBJECTIVES

Buncombe County will impact 2,800-3,150 affordable housing units by 2030.

- 1,500-1,850 rental units for households at ≤80% AMI
  - average at ≤60% AMI across all households
  - 1,200-1,480 units should leverage the LIHTC program
  - 200 units for <30% AMI
- 400 ownership units for households at <80% AMI
- 1,000 ~~500~~ repair units for households at <80% AMI
- 400 ownership or rental units for households at > 80% to <120% AMI (noting that funding available through the AHSP may not be used to accomplish this goal)

VII. PROJECT PRIORITIES & PREFERENCES

Funding constraints, individual project merits, and achievement of the desired mix of project types will all factor into project prioritization.

Strong preference will be given to projects that:

- Demonstrate intent to leverage other sources of debt, equity, or other funding prior to and beyond the AHSP request.
- Include deferred developer fees.
- Accept rent vouchers.
- Accept housing referrals from the Continuum of Care for households experiencing homelessness.
- Include renewable energy systems, install all electric appliances and equipment, participate in local utility efficiency programs, and/or demonstrate compliance with energy efficiency standards including but not limited to ENERGY STAR.
- Prioritize affordable housing for Buncombe County residents permanently displaced by Tropical Storm Helene.

Applicants seeking only program administrative support or applications where the proportion of administrative support is high relative to project costs are less preferred.

Applicants may not combine multiple applications or awards from the same or different program years to exceed program maximums.

PROGRAM REQUIREMENTS AND GUIDELINES

I. APPLICANTS

Applicants may be:

- For-profit corporations, partnerships, or sole proprietors;
- Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or
- Public non-profit agencies and governmental agencies, including Buncombe County (which may directly operate AHSP projects).

Applicants may not be individuals seeking to build an individual unit for their family.

II. INSTRUCTIONS FOR SUBMITTING APPLICATIONS

Applicants may apply online at www.buncombecounty.org/apply. Applicants should be familiar with all program requirements and guidelines described below at the time of application.

III. ACTIVITIES

The following activities are eligible:

- Construction (including site work and soft costs) of new affordable single-family or multifamily housing units for sale or rent (or non-revenue generating) which must meet state and local building codes and must be stick-built or system-built (modular);
- Conversion of existing non-residential structure(s) for affordable single-family or multifamily housing units for sale or rent (or non-revenue generating) which must meet state and local building codes and must be stick-built or system-built (modular);
- Rehabilitation of existing affordable single-family or multifamily housing units for sale or rent (or non-revenue generating) which must meet state and local building codes and must be stick-built or system built (modular);
- Downpayment assistance for income eligible homebuyers;
- Tenant-based rental assistance in connection with homelessness prevention;
- Emergency repair of single-family units for income eligible clients; and
- New start programs which provide opportunities for affordable and safe housing for healthy and thriving families and neighborhoods which are innovative in approach.
- Administrative support programs that have a measurable and identifiable impact on County affordable housing goals.

Eligible activities must take place within Buncombe County.

IV. DEFINITION OF AFFORDABILITY

To be considered affordable units, units for sale must be:

- Sold as affordable (not to exceed 30% of the buyer's income);
- Sold to an eligible homebuyer (a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described in HUD's Income Limits Summary Table in effect at the time of sale); and
- Have a maximum sales price as described in HUD's HOME and Housing Trust Fund Homeownership Sales Price Limits Table in effect at the time of sale or sell at a higher price but only the first mortgage is affordable to the buyer based on their income.

To be considered affordable rental units, units for rent must be:

- Rented at a rate not to exceed HUD's Fair Market Rent as described in HUD's Fair Market Rent Documentation System in effect at the time the lease is signed. Units receiving Project Based Vouchers are permitted to follow the annual rent payment standards approved by the Housing Authority of the City of Asheville in compliance with HUD regulations; and
- Rented to eligible tenants (a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described in HUD's Income Limits Summary Table in effect at the time the lease is signed).

To be considered income eligible, once an initial income verification is completed, a re-examination is not required unless 12 months have elapsed before assistance is provided.

V. PROJECT AND REIMBURSEMENT TIMEFRAME

Construction and conversion projects must be scheduled to break ground by June 30 of the calendar year following the year of application and begin requesting reimbursement by July 31 of the calendar year following the year of application. All other projects must complete expenditures and request reimbursement by July 31 of the calendar year following the year of application.

AHSP loans and grants are reimbursement based and are reimbursed upon receipt of documentation of eligible expenses paid. Documentation includes invoices or receipts, proof of payment, relevant time sheets, lien waivers and certifications of work completed. At the time of application, grantees may request advanced payments only if able to demonstrate such payments are necessary for project viability.

VI. CONSTRUCTION LOAN PROGRAM

TERMS APPLICABLE TO ALL CONSTRUCTION LOANS

- Eligible Applicants: For-profit corporations, partnerships, or sole proprietors; private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. Applicants must indicate if the borrower entity is or will be different from the applicant.
- Maximum Loan Amount: Maximum. Applicants may request:
  - 10% of the cost per affordable unit (for conversion construction the cost per unit shall be based on a licensed contractor's estimate of required repairs to bring the units up to building code and including service delivery and administrative costs in the estimates);
  - 20% of the cost per unit for 4% low-income housing tax credit projects (for conversion construction the cost per unit shall be based on a licensed contractor's estimate of required repairs to bring the units up to building code and including service delivery and administrative costs in the estimates);
  - Loans exceeding the maximum amounts listed above (10%/20% of cost per affordable unit) where the project solely targets households at ≤30% AMI;
  - Loans exceeding the maximum amounts listed above (10%/20% of cost per affordable unit) where the project includes on-site renewable generation for residential benefit, achieves Leadership in Environmental and Energy Design (LEED) certification, or follows the Department of Energy's Zero Energy Ready Home (ZERH) program provided the applicant indicates program cost to support any request beyond maximum loan amount (10%/20%).
- Uses: Affordable unit construction, infrastructure improvements, professional services, and costs of permitting. Funds may not be used for property acquisition, purchase options, feasibility studies, or other pre-development costs incurred prior to the execution of the loan agreement. These expenses should be reflected in the total project budget, but funds may not be used to reimburse these expenses.
- Form: Loan secured by a lien on the property being assisted, provided the County takes or shares a first lien position, or where the County accepts a lower lien position subject to the amount of loan funds financed.
- Structure: Loans are structured as recourse loans. At the time of application, applicants may request non-recourse terms for the permanent phase of the loan, if demonstrated at the time of application that such terms would be necessary for project viability.
- Project Scope: Loan agreements will reflect the total number of units, unit mix and household income targeting proposed at the time of application, recommended by the Affordable Housing Subcommittee and approved by the Board of Commissioners.

ADDITIONAL LOAN TERMS APPLICABLE TO NEW AND CONVERSION CONSTRUCTION AND REHABILITATION: UNITS FOR SALE

- Maximum Loan Amount: Applicants may request 10% of the total sales price to the homebuyer
- Term and Interest Rate: Five (5) years or until the property is transferred or sold, whichever occurs first. Fully amortizing at an interest rate of 2.00%.
- At the time of application, public or private non-profit agencies with IRS 501(c)(3) or similar designation may request 0% interest if all borrowed funds will convert to downpayment assistance loans.

ADDITIONAL LOAN TERMS APPLICABLE TO NEW AND CONVERSION CONSTRUCTION AND REHABILITATION: UNITS FOR RENT

- Underwriting Standards:
  - Applicants must identify funding sources sufficient for a complete capital stack. Multiple financial scenarios will not be considered. Written commitments must be secured for all sources before an AHSP loan agreement can be executed.
  - ~~o~~ Applicants must provide pro formas demonstrating a minimum Debt Service Coverage Ratio (DSCR) of 1.0:1.15 during the permanent loan term with a 7% vacancy rate, revenues increasing at 2% and expenses increasing at 3% per year.
  - Applicants must defer a minimum of 10% of the proposed developer fee. All developer fees must be paid prior to year 15. The deferred fee proposed at the time of application may not be reduced after funding is awarded.
  - Conversion: Loans are structured with a construction phase then convert to a permanent loan for the approved term. During the construction phase, funds may be reimbursed for eligible expenses paid and interest will accrue on funds drawn.

- Term and Interest Rate:

  Standard Terms: Standard terms and interest rates are considered to be the default term and interest rates offered. An applicant may request from among the following standard terms and interest rates:

  - 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; or
  - 20 year term, fully amortizing at an interest rate of 3.75%, annual principal and interest payment.

  Optional Terms: An applicant may request the *option* of annual interest only payments ~~from cashflow~~ with principal balloon provided the applicant indicates such at the time of application and demonstrates a need for such terms for project viability. An applicant may request from among the following interest only payments with principal balloon:

  - 7 year term, at an interest rate of 3.00%, annual interest only payment and principal balloon;
  - 10 year term, at an interest rate of 3.25%, annual interest only payment and principal balloon;
  - 15 year term, at an interest rate of 3.75%, annual interest only payment and principal balloon; or
  - 20 year term, at an interest rate of 4.25%, annual interest only payment and principal balloon.

  Special Terms: An applicant may request special terms of ~~the *option* of interest only~~ payments from cashflow with principal and interest balloon provided the applicant: (1) is pursuing low-income housing

tax credits and/or is a project targeting households at ≤30% AMI; (2) indicates that such terms are desired at the time of application; and (3) demonstrates a need for such terms for project viability. An applicant may request the following ~~interest only~~ payments from cashflow with principal and interest balloon:

- 20 year term, at an interest rate of 2.00%, annual payment from cashflow with principal balloon.
- Annual payments calculated at 50% of available cashflow after deferred developer fees. Asset management fees, investor service fees, incentive fees, reserves, other soft debt payments or distributions to the ownership entity paid from cashflow must be paid from remaining 50% of available cashflow.
- Cashflow payments will be applied first to accrued interest and then principal.

Requests for payments from cashflow with principal balloon does not guarantee award of a loan on those terms. ~~Applicants should have a willingness to consider various approaches that support project viability including, but not limited to, deferring developer fees as appropriate.~~

CONSTRUCTION, CONVERSION AND REHABILITATION LOAN AGREEMENTS

Loan agreements shall be executed between the County and applicant with specific conditions dependent on the project type.

Loan agreements shall include the following requirements:

- Submittal of regular progress reports;
- Provision of record access to Buncombe County staff;
- Abidance by Fair Housing and Equal Rights Opportunity principles adherence requirements (which prohibit discrimination based on race, color, age, sex, sexual orientation, gender, religion, national origin, disability, or family status);
- Provision of open marketing to ensure fair housing choices;
- Description of income limits of occupants/owners;
- Annual verification of affordable rent levels for the lifetime of the loan (where constructed for rent);
- Acceptance of rental subsidies, including housing vouchers directly or indirectly funded by the federal government, and other provable and lawful sources of income (where constructed for rent). Prohibition against disqualifying residents and prospective tenants from renting a housing unit based on sources of income (where constructed for rent);
- Provision of statements of project cashflows with the annual repayment (where constructed for rent) consistent with those provided to all other investors;
- Provision of a detailed project scope including project completion time limits;
- May apply for a property tax exemption with Buncombe County or the State of North Carolina regarding property associated with the project (where the applicant is eligible to seek property tax exemption); and
  Prohibitions of conflict of interest.

VII. DOWNPAYMENT ASSISTANCE PROGRAM

- Eligible Applicants: For-profit corporations, partnerships, or sole proprietors; private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must either coordinate homebuyer's education classes or require participants complete a homebuyer's education course. An applicant who is also seeking a construction loan may submit a single application that includes both the construction loan and downpayment assistance loan budgets.
- Maximum Loan Amount: 10% of the sales price to the homebuyer ~~cost per affordable unit~~

- Uses: Downpayment assistance must:
  - Benefit an eligible homebuyer (a homebuyer with a household income at or below 80% of Area Median Income (AMI) adjusted for household size);
  - Benefit a homebuyer that has completed a homebuyer's education course; and
  - Be for an affordable unit for sale, as defined above.
- Form: Non-forgivable loan, secured with a lien on the property being assisted, provided the County takes or shares a first lien position, or where the County accepts a second lien position, subject to the amount of loan funds financed.
- Term: Due in the event the homeowner no longer lives in the unit, sells the unit, or refinances the unit
- Interest Rate: 0%
- Loan Agreements: Loan agreements shall be executed between the County and applicant for the project

VIII. ~~TENANT BASED~~ RENTAL AND MORTGAGE ASSISTANCE PROGRAM

- Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must specialize in working with homeless families or those at risk of homelessness and must provide housing stabilization services and after placement follow-up for clients.
- Maximum Assistance: $2,500 per household~~. Where assistance exceeds $1,500 per household, such assistance~~ shall be for the purposes of eviction and foreclosure prevention.
- Uses: Rent and mortgage payments including arrears, ~~S~~security and utility deposits~~,~~ and moving expenses.~~, first month's rent, and eviction prevention.~~
- Maximum Administrative Costs: Administrative, program management, overhead and indirect costs may not exceed 10% of awarded funds.

IX. CONSTRUCTION GRANT PROGRAM

- Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must specialize in working with homeless families or those at risk of homelessness and must provide housing stabilization services and after placement follow-up for clients.
- Maximum Assistance: $25,000 per non-revenue generating unit.
- Uses: Unit construction
- Maximum Administrative Costs: Administrative, program management, overhead and indirect costs may not exceed 10% of awarded funds.

X. EMERGENCY REPAIR PROGRAM

- Eligible Applicants: For-profit corporations, partnerships, or sole proprietors; private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must have no financial interest in the unit(s) to be repaired.
- Maximum Assistance: $25,000 per unit for non-Helene related repairs and $50,000 per unit for repairs due to Tropical Storm Helene. To exceed $25,000 per unit, the repair must:
  - Address documented damage to the unit by Tropical Storm Helene;
  - Be supported with evidence of any benefits from private, nonprofit and public sources to prevent duplication of benefits; and

- Be supported with evidence that cost estimates exceed all other repair support available, including but not limited to insurance proceeds, repair donations, financial assistance, and local/state/federal funds or grants.

- All repairs:
  - Must benefit an eligible homeowner (a homeowner with a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described in HUD's Income Limits Summary Table in effect at the time assistance is provided);
  - Must be performed on units where the applicant has no financial interest;
  - May include repairs for life safety issues; and
  - May be used for retrofitting units for needs of individuals with disabilities.
- Repairs less than $15,000 are structured as a grant in that they are not required to be issued as a loan with a securement.
- Repairs Not Associated with Tropical Storm Helene at $15,000 and up to $25,000:
  - Must be a forgivable loan, secured with a Note and Deed of Trust which reduces $15,000 in year one and by $5,000 each successive year until such time as the loan if forgiven. The forgivable loan may be transferred to a new and verified income qualified household. If the eligible homeowner sells to a non-income qualified household or no longer occupies the unit during the repayment period, the balance of the note shall be due;
- Repairs Associated with Tropical Storm Helene at $15,000 and up to $50,000:
  - Must be a forgivable loan, secured with a Note and Deed of Trust which reduces up to $30,000 in year one and by $10,000 each successive year until such time as the loan if forgiven. The forgivable loan may be transferred to a new and verified income qualified household. If the eligible homeowner sells to a non-income qualified household or no longer occupies the unit during the repayment period, the balance of the note shall be due.
- Maximum Administrative Costs: Administrative, program management, overhead and indirect costs may not exceed 10% of awarded funds.

~~XI. NEW START PROGRAM~~

- ~~Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant may only request funding a single time for a specific new start program.~~
- ~~Maximum Assistance: $50,000~~
  ~~Uses: Costs associated with the development and implementation of a new program which provides opportunities for affordable and safe housing for healthy and thriving families and neighborhoods and which is innovative in approach. Funding may include administrative and program implementation costs.~~

~~XII.~~XI. ADMINISTRATIVE SUPPORT PROGRAM

- Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies.
- Maximum Assistance: $50,000

Uses: Costs associated with administrative activities including specific project management, oversight, and coordination and may be for personnel, non-personnel, direct or indirect expenses. Administrative activities should support affordable and safe housing for healthy and thriving families and neighborhoods and have a measurable and identifiable impact on affordable housing goals and objectives.