2023-24 Housing Trust Fund (HTF) Applications and Recommendations

Asheville City Council

April 25, 2023

Sasha Vrtunski, Affordable Housing Officer
Community and Economic Development

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Key Takeaways

- Five eligible applications are being considered for the current round funding from the Housing Trust Fund (HTF), totaling $5,255,850. The current balance of the Fund is $7.65 million.
- This round of funding was coordinated to align with Buncombe County's consideration to assist in decision making and provide more predictability to the development community.
- Staff recommends four projects, totaling $4,387,850 in HTF funding to assist in the construction of 239 units.
    - The staff recommendation includes funding the four projects as loans.
- The Housing and Community Development Committee met on April 18 and made a few modifications to the staff recommendation, namely:
    - Awarding the requested $1,035,000 million to Reimagining Deaverview as a grant instead of a loan, and
    - Continuing negotiations with the developer of Oak Hill Cottages to include community engagement and further development of project details.
- City Council is being asked to make final considerations on funding allocations at their April 25 meeting.

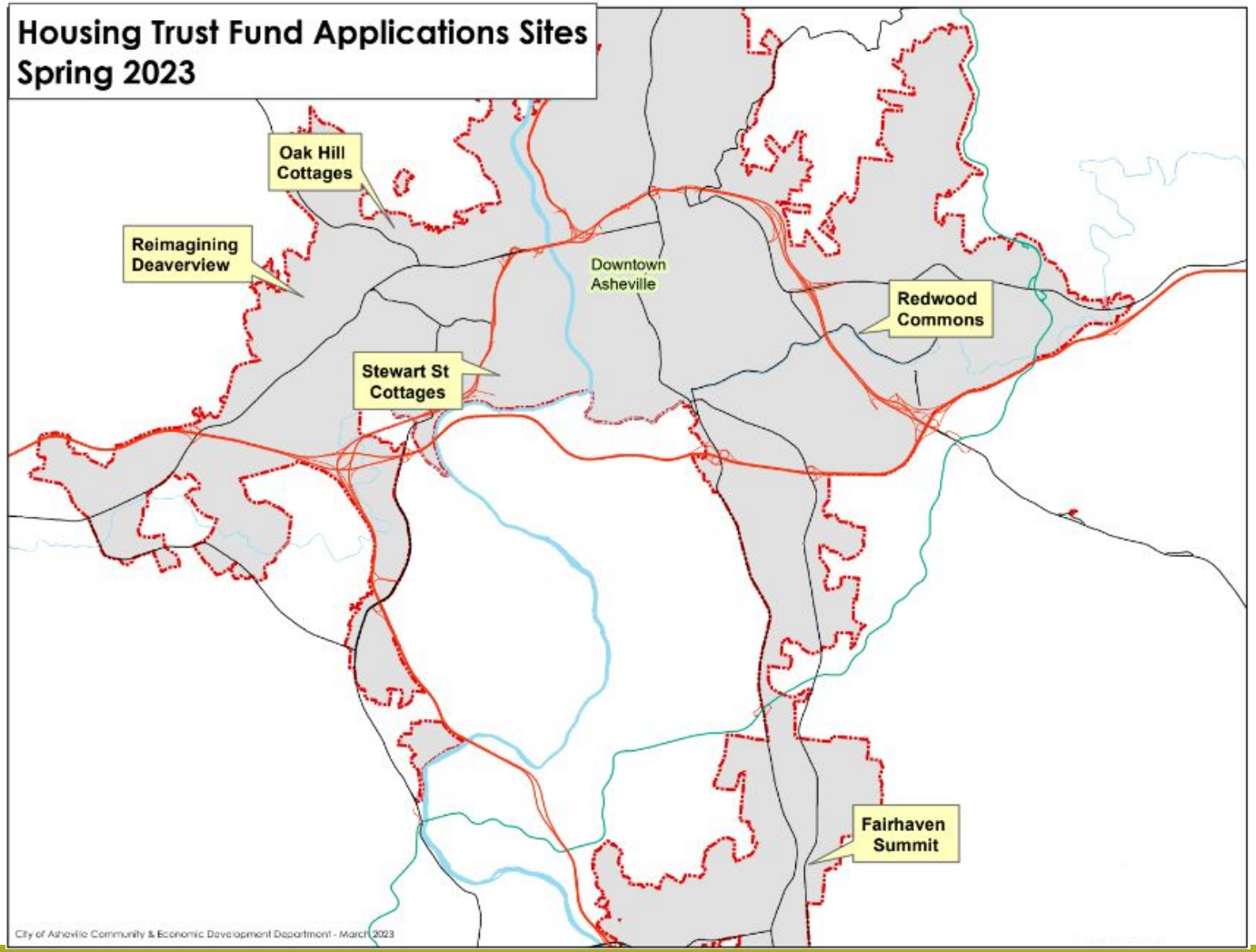
HTF Application Schedule

Call for Housing Trust Fund Applications	December 19 ,2022
Application Deadline	February 10, 2023
Overview of projects and process at HCD	March 28, 2023
HCD meeting to review applications and hear applicant presentations	April 4, 2023
HCD meeting to review staff recommendations and recommend funding to City Council	April 18, 2023
City Council meeting and vote on funding applications	April 25, 2023

Eligible Applications Summary

Development	# of units	Housing Trust Fund (HTF) request	Total Development Cost (TDC)	HTF % of TDC	Type of Project	Targeted % of Area Median Income (AMI)
(1) Redwood Commons*	70	$1,800,000	$18,298,001	9.8%	MF Rental Apts	30%, 50%, 60%, and 80%
(2) Reimagining Deaverview*	82	$1,035,000 (2nd request)	$22,502,955	4.59%	MF Rental Apts	30%, 50%, 60%, and 80%
(3) Fairhaven Summit*	77	$500,000	$22,677,808	2.2%	MF Rental Apts	30%, 50%, 70%, and 80%
(4) Stewart St. Cottages	10	$1,052,850	$2,425,000	57%	Home Ownership	60%, 80% and 100%
(5) Oak Hill Cottages	42	$868,000	$9,299,794	9.3%	Rental and Home Ownership	60%, 80% and 100%

** Project has also applied for funding from Buncombe County*



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Redwood Commons

Project Description: 70 units, senior housing located on Governor's View Road in East Asheville

Project Type: Rental apartments, 9% LIHTC development

Developer: Buckeye Community Hope Foundation (BCHF) of Columbus, OH

Request: $1,800,000 in HTF financing

Loan Terms: 20-year maturity; payments deferred, but 2% interest compounds annually; 4th lien position; $2,674,705 due at maturity

Incomes Served: 30%, 50%, and 60% of AMI.

Zoning Approval: City Council approval in May 2022



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Redwood Commons

Redwood Commons Financing Sources	70	Units		
HTF Request	$1,800,000			
HTF Request per unit	$25,714			
			of TDC	per unit
Riverhills Bank		1,425,000	7.79%	20,357
NCHFA RPP		800,000	4.37%	11,429
Buncombe County AHSP (loan)		3,304,454	18.07%	47,206
Asheville HTF		**1,800,000**	**9.84%**	25,714
Buckeye Community Hope Foundation		520,591	2.85%	7,437
LIHTC Equity: CAHEC		10,438,956	57.08%	149,128
	TDC	$18,289,001	100.00%	
	TDC per Unit	$261,271		

Redwood Commons

Pro(s):	Concerns:
• 70 affordable apartments for seniors, a community need. • The subsidy is $25,714 per unit • Aligns with Asheville Consolidated Plan goal prioritizing rental housing affordable to 60% of AMI and below. • The project is located on a brownfield and will require site remediation, remaking the land useful since it is close to amenities and services.	• Further work may need to be done around the City's lien position relative to other lenders. • The request to Buncombe County is above the 10% cap of total costs in the County's policy. This may result in a funding shortfall.

Reimagining Deaverview

Project Description: 82 apartments, serving families, located on Deaverview Road in West Asheville.

Project Type: Rental apartments, 9% LIHTC development

Developer: Housing Authority of the City of Asheville (HACA)

Request: $1,035,000 as a grant from the HTF (previous City award: $1,465,000 grant)

Incomes Served: 30%, 50%, and 60% of AMI.

Zoning Approval: City Council approval in May 2022.



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Reimagining Deaverview

Reimagining Deaverview Sources	82	units		
1st HTF Request	$1,465,000			
2nd HTF Request	$1,035,000			
Total HTF Request	$2,500,000			
			of TDC	per unit
Centrant Community Capital		3,600,000	16.77%	43,902
NCHFA RPP		1,450,000	6.75%	17,683
Total Asheville HTF *(includes $1,465,000 in granted Bond funds)*		**2,500,000**	**11.65%**	30,488
Buncombe County		2,500,000	11.65%	30,488
Dogwood Health Trust		2,500,000	11.65%	30,488
HACA		2,500,000	11.65%	30,488
LIHTC Equity: CAHEC		5,802,955	27.03%	70,768
Deferred Developer Fee		615,000	2.86%	7,500
		$21,467,955	100.00%	
	TDC per Unit	$261,804		

Reimagining Deaverview

Pro(s):	Concerns:

● 82 affordable apartments for families, with long term affordability
● The City subsidy is $30,488 per unit (this includes the previous $1.465M City grant and recommended $1.035M HTF loan)
● Ability to rehab in place with minimal resident relocation
● Asheville Consolidated Plan alignment with more rental housing affordable to 60% of AMI and below.
● Reimagining Deaverview will benefit the local community.
● Staff is recommending a loan in lieu of a grant, which will do the following:
  ○ Help encourage proactive asset management of the property and rehab in 20 years.
  ○ The City will be at the table when the low income housing tax credits expire to ensure either repayment of the loan or refinancing to continue the affordability of the development.
  ○ The 2% interest will allow for the principal to grow to better help fund affordable housing in the future.
	● Applicant is requesting funding in the form of a grant instead of a loan.
	  ○ A grant means no city recourse if the project has challenges.
	● Total request of $2.5 million exceeds the policy limit of 10% of the total development cost.

Reimagining Deaverview Recommendations

- Option #1: Loan HACA $1,035,000 with terms according to the HTF policy. This would be a 20-year maturity with payments deferred, but 2% interest compounding annually. Third lien position; $1,537,955 due at maturity. (**Staff Recommendation**)

- Option #2: Loan HACA $1,035,000 with a 20-year maturity, with 0% interest and no payments until maturity.

- Option #3: Grant the $1,035,000 as requested. (*not recommended*).

Buncombe County's Affordable Housing Committee may recommend a loan up to $1,564,714 (20-year term, 2% interest, annual payment from cash flow with balloon payment) or the County may recommend an increase in American Rescue Plan Act grant funds to the project.

Fairhaven Summit

Project Description: 77 units serving families on Sweeten Creek Road

Project Type: Rental apartments, 9% LIHTC development (NCHFA 2021 award)

Developer: Commonwealth Development Corporation

Request: $500,000 in HTF financing

Loan Terms: 20-year maturity; payments deferred, but 2% interest compounds annually; 3rd lien position; $742,973 due at maturity.

Incomes Served: 30%, 50%, 60% and 80% AMI.

Zoning Approval: City Council approval in June 2022, land acquired 2022.



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Fairhaven Summit

Fairhaven Summit Financing Sources	77	units		
HTF Request	$500,000			
HTF Request per unit	$6,494			
			of TDC	per unit
Bank of America		10,100,000	44.22%	131,169
Buncombe County		1,535,000	6.72%	19,935
Asheville HTF		**500,000**	**2.19%**	6,494
Asheville HOME		400,000	1.75%	5,195
Refund Rate Lock Deposit		217,150	0.95%	2,820
LIHTC Equity: Richman Group		9,962,594	43.62%	129,384
Deferred Developer Fee		126,521	0.55%	1,643
	TDC	$22,841,265	100.00%	
	TDC per Unit	$296,640		

Note: If a LUIG is approved for this project, the total subsidy per unit would be $19,716. The total subsidy would equal $1,518,132 or 6.6% of the total development cost.

Fairhaven Summit

Pro(s):	Concerns:
• 77 affordable apartments for families, 30 years of affordability. • The subsidy is $6,494 per unit. If the LUIG funding is granted, Fairhaven summit would have a total subsidy of $19,716 per unit. • Aligns with an Asheville Consolidated Plan goal of prioritizing rental housing affordable to 60% of AMI and below.	• None noted.

Stewart Street Cottages

Project Description: 10 affordable cottages for families in West Asheville

Project Type: Homeownership

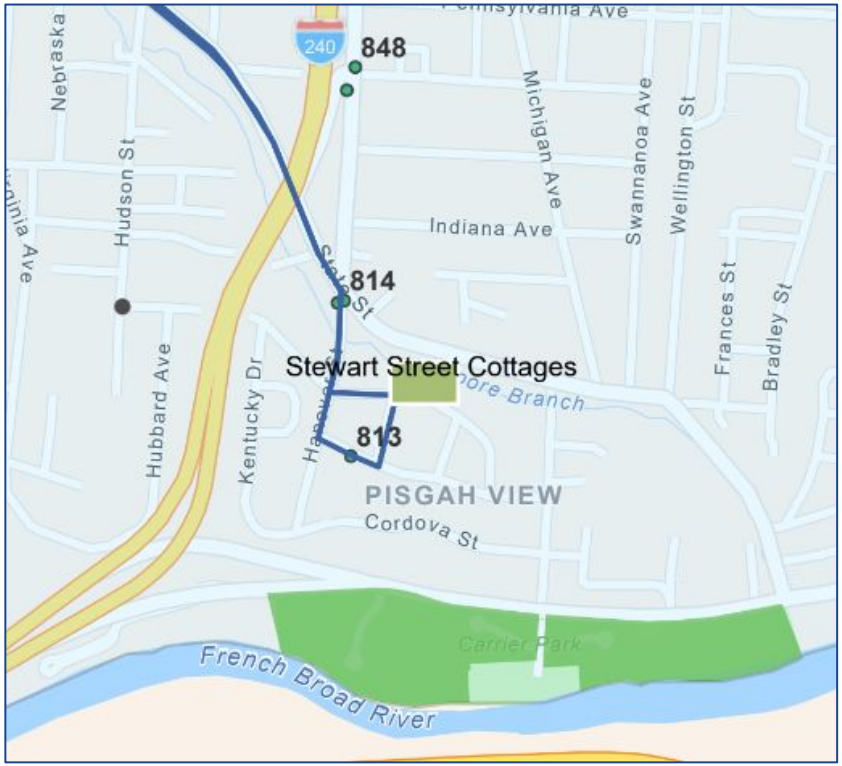
Developer: Reasonable Development LLC, of Asheville, NC

Request: $1,052,850 in HTF financing

Loan Terms: 3-year term, 2% compounding annually, 2nd lien position; a portion of HTF to be repaid from home sale proceeds, another portion of HTF to be used as down payment assistance

Incomes Served: 60%, 80% and 100% AMI.

Zoning Approval: Will require zoning approval



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Stewart Street Cottages

Stewart Street Cottages	10	units	
HTF Request	$1,052,850		
HTF Request per unit	$105,285		
		% of TDC	per Unit
First Citizens	$1,272,150	53%	$127,215
Asheville HTF	**$1,052,850**	**43%**	$105,285
Developer equity	$100,000	4%	$10,000
TDC	$2,425,000		
TDC per Unit	$242,500		

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Stewart Street Cottages

Pro(s):	Concerns:
● Opportunity to create a Asheville-based model for future affordable homeownership development opportunities for smaller developers. ● $552,000 of the loan would be repaid within three years after homes are sold. ● Experienced local developer who has built more than 100 homes in Asheville.	● Down payment assistance terms will need to be determined for the project. ● Each individual house will require a separate closing.

Oak Hill Cottages

Project Description: 42 total units, 20 low income, 8 moderate, 14 market rate for families in West Asheville.

Project Type: Hybrid Rental/Homeownership

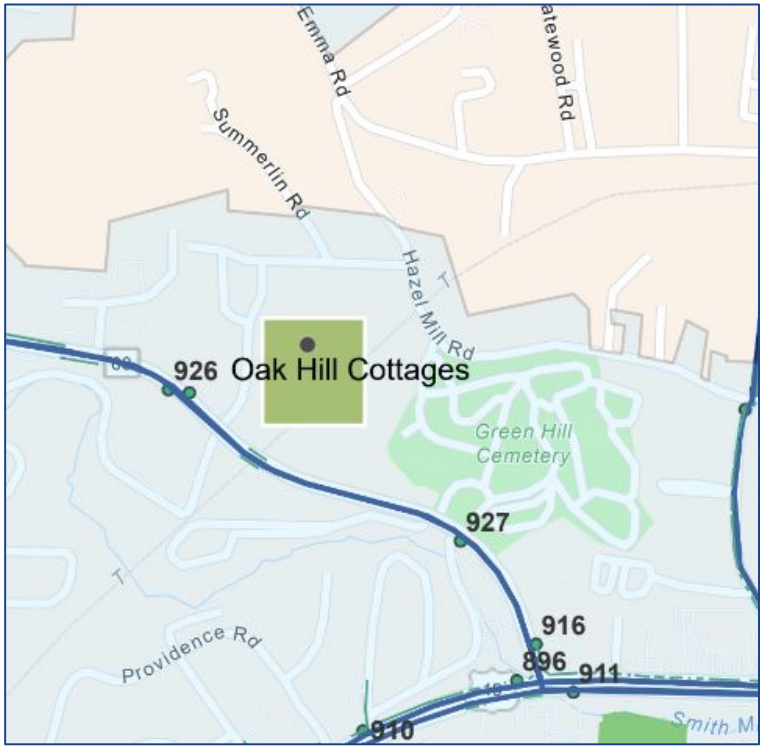
Developer: Reasonable Development LLC

Request: $868,000 in HTF financing, also requesting City-owned land at a discounted sales price ($50,000).

Loan Terms: 3-year term, 2% compounding annually, 2nd lien position; a portion of HTF to be repaid from home sale proceeds, another portion of HTF to be used as down payment assistance, a third HTF portion will be paid back from rental unit operations

Incomes Served: 60%, 80%, and 100% of AMI.

Zoning Approval: No site control, unable to pursue permits.



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Oak Hill Cottages

Oak Hill Cottages	42	units	
	28	affordable units	
HTF Request	$868,000		
Land Request Subsidy	$400,000	(based on 2017 appraisal)	
Total Request	$1,268,000		
Total Request per affordable unit	$45,286		
		% of TDC	per Unit
First Citizens	$3,478,980	37%	$124,249.29
Developer Financing	$4,952,814	53%	
Asheville HTF	**$868,000**	**9%**	$31,000.00
			$0.00
TDC	$9,299,794		
TDC per Unit	$221,424		

Oak Hill Cottages

Pro(s):	Concerns:
● Opportunity to create an Asheville model for future affordable homeownership developments featuring down payment assistance and smaller local developers. ● $552,000 of the loan would be repaid within three years after homes are sold. ● Experienced local developer who has built more than 100 homes in Asheville.	● Property is city-owned and not currently owned by the developer. Proposal does not adhere to City Policy for Affordable Housing on City Owned Land, adopted by City Council in 2019. ● Sewer service and other infrastructure upgrades may be needed for this development, the costs are not clearly defined at this point. ● No community input on future development for this site has been gathered.

Oak Hill Cottages Council Options

- Option #1: Direct staff to release an RFP for the site this year (in accordance with City policy), including community input processing and exploration of different development scenarios for Council consideration (**Staff Recommendation**).

- Option #2: Direct staff to proceed in negotiations with the developer to more fully develop the plans and deal point (land price, DPA terms, etc) and to return to HCD and Council at a later date. The future vote would consider both the land sale and HTF request together (**Not Recommended by Staff**).

    - If Council approves this option, staff will move forward with an appraisal, additional due diligence and community engagement as well as working with the developer over the next few months to arrive at a package deal for the site.

- Option #3: Approve the current request (**Not Recommended by Staff**).

Committees

- The Housing and Community Development Committee reviewed this item on April 18, 2023 and recommended the following:
  - (1) Redwood Commons, Fairhaven Summit and Stewart Street Cottages unanimously approved (3-0) to move to City Council;
  - (2) Reimagining Deaverview was approved 2-1 to move to City Council as a grant; and
  - (3) Staff to continue negotiations with Oak Hill Cottages and conduct community engagement on potential development options prior to coming back to HCD at a later date.

Recommendations Summary

Development	No. of units	HTF request	TDC	Staff Recommended Terms	HCD Recommendation
(1) Redwood Commons*	70	$1,800,000	$18,298,001	20-year maturity; payments deferred, 2% interest compounds annually	Staff Recommendation 3-0
(2) Reimagining Deaverview*	82	$1,035,000	$22,502,955	20-year maturity; payments deferred, 2% interest compounds annually	Recommended a Grant for project 2-1
(3) Fairhaven Summit*	77	$500,000	$22,677,808	20-year maturity; payments deferred, 2% interest compounds annually	Staff Recommendation 3-0
(4) Stewart Street Cottages	10	$1,052,850	$2,425,000	3-year term for portion of loan, remaining is used for DPA, 20 Year Affordability Period.	Staff Recommendation 3-0
(5) Oak Hill Cottages	42	$868,000	$9,299,794	Staff did not recommend approval Terms would be: 3-year term for portion of loan, remaining is used for DPA, 20 Year Affordability Period	Recommend Council to direct further with developer and community engagement and come back to HCD and City Council for approval.
Total of Recommended Projects	**239**	**$4,387,850**	**$65,903,764**		
Total of all 5 Projects	**281**	**$5,255,850**	**$74,335,558**		

Suggested Motion

Motion to approve the recommended Housing Trust Fund allocations in the amount of $4,387,850 fo four development projects which will produce 239 units in affordable housing and direct the City Manager to continue negotiations with Oak Hill Cottages and conduct community engagement on potential development options for the Oak Hill site.

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Key Takeaways

- Five eligible applications are being considered for the current round funding from the Housing Trust Fund (HTF), totaling $5,255,850. The current balance of the Fund is $7.65 million.
- This round of funding was coordinated to align with Buncombe County's consideration to assist in decision making and provide more predictability to the development community.
- Staff recommends four projects, totaling $4,387,850 in HTF funding to assist in the construction of 239 units.
    - The staff recommendation includes funding the four projects as loans.
- The Housing and Community Development Committee met on April 18 and made a few modifications to the staff recommendation, namely:
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