THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: December 12, 2023

Subject: Additional Housing Trust Fund Request for Fairhaven Summit at 3124/3130 Sweeten Creek Road

Staff Resource(s): Sasha Vrtunski, Affordable Housing Officer

Action Requested: Consider approval of Commonwealth Development's request for an additional $475,000 in Housing Trust Fund (HTF) loan funds to support the Fairhaven Summit development with 2% interest, deferred payments for a period of 20 years for the purpose of developing affordable housing.

Background

- Commonwealth Development Corporation is developing Fairhaven Summit, a Low Income Housing Tax Credit (LIHTC) project that was awarded 9% tax credits in 2022.
- Project is located at 3124/3130 Sweeten Creek Road, PIN 9655-33-2749 and 9655-33-0929.
- The project will have 77 total units affordable to families at 30%, 50%, 70%, and 80% of area median income (AMI), with a 30-year affordability period.
- The City Council funded the project as a part of the Fiscal Year 2023-24 Housing Trust Fund cycle and approved $500,000 on April 25, 2023.
- The Commonwealth Development Corporation is requesting an additional $475,000 to cover a funding gap created by increased interest rates.
- HOME funds were approved in 2022 to support Fair Haven Summit totaling $400,000.
- This project was approved by the City Council as a Conditional Zoning project in June 2022.

Proposal

- Commonwealth Development Corporation (CDC) of Middleton, WI, has requested an additional $475,000 in HTF financing for Fairhaven Summit, for a total loan amount of $975,000.
- The total loan will have a 20-year term; payments are deferred, but 2% interest compounds annually. The City will be in third lien position; $1,232,778 due at maturity.
- This request can be reduced to $375,000 if the US Treasury 10-Year Yield is below its current 4.9% rate at the time of rate lock.

Units by Income and Bedrooms

Income Served	No. of Units	Bedroom Counts	Notes
30% AMI	20	3 - 1 bdrm; 7- 2-bdrm; 10 - 3 bdrm	Project Based Vouchers
50% AMI	11	2 - 1 bdrm; 3 - 2-bdrm; 6 - 3 bdrm	KEY program - serving low income residents with disabilities
60% AMI	14	2 - 1 bdrm; 4- 2-bdrm; 8 - 3 bdrm	
80% AMI	32	5 - 1 bdrm; 11- 2-bdrm; 16 - 3 bdrm	

Project Financing

Source	Amount	Percentage of Total Development Costs	Per unit
1st Permanent Mortgage	$9,393,000	41.06%	$121,987
Buncombe County	1,235,000	5.40%	16,039
Asheville HTF	975,000	4.26%	12,662
HOME funds	400,000	1.75%	5,195
LIHTC Equity	10,181,552	44.51%	132,228
Refund Rate Lock Deposit	201,950	.88%	2,623
Deferred Developer Fee	488,690	2.14%	6,347
Total	**$22,875,192**	**100%**	

Housing Trust Fund Policy Compliance

- The total request of $975,000 equals 4.26% of the total development cost, which is under the policy cap of 10% of total development costs.
- Both subordinate lenders are providing more funding than HTF.

Committee(s):

- The Housing and Community Development Committee reviewed this item on November 27, 2023 and voted 3-0 in support of the request.

Pro(s):

- This funding will support the construction of 77 affordable apartments for families with an affordability period of 30 years.
- The subsidy per unit for this request is $12,662 per unit, based on the full $975,000 request.
- This project aligns with the City of Asheville's Consolidated Plan goals of prioritizing rental housing affordable to 60% AMI and below.

Con(s):

- This request is out of cycle with other Housing Trust Fund requests. A new HTF cycle is set to open in mid-December 2023.

Fiscal Impact:

- Approval of this request will reduce the amount available in the Housing Trust Fund for the next funding cycle by $475,000.

Staff Recommendation:

- Staff recommends approval of the loan of $975,000 with a 20-year maturity; payments deferred, but 2% interest compounds annually; based on the following:
    - Construction of 77 new affordable units for a range of incomes - 30% AMI to 80% AMI.
    - Twenty units will be set aside for project-based vouchers and eleven (11) units will utilize the KEY program for low-income residents with disabilities who are in need of supportive services.

    - The requested City of Asheville HTF loan will comprise 4.26% of total development cost, well below the 10% cap.

Suggested Motion:

- Move to approve Commonwealth Development's request for an additional $475,000 in funds, for a total Housing Trust Fund loan of $975,000, to construct 77 new affordable apartments.

Attachment(s):

- Resolution
- HTF Application

RESOLUTION NO. 23-_____

RESOLUTION APPROVING AN AMENDED HOUSING TRUST FUND LOAN AWARD REQUESTED BY COMMONWEALTH DEVELOPMENT CORPORATION TO ALLOW THEM TO DEVELOP MULTIFAMILY APARTMENTS AT 3124/3130 SWEETEN CREEK ROAD

WHEREAS, on September 2, 2000, the City Council of the City of Asheville first appropriated funds and adopted policies and detailed program guidelines for administering a Housing Trust Fund to assist in the development and preservation of affordable housing in the City; and

WHEREAS, Commonwealth Development Corporation (developer) was awarded $500,000 to fund the construction of Fairhaven Apartments at 3124/3130 Sweeten Creek Road on April 25, 2023; and

WHEREAS, Commonwealth has requested an additional $475,000 Housing Trust Fund (HTF) loan for a total loan of $975,000 for the construction of seventy-seven (77) affordable apartments, which will be made available to individuals and households at or below 80% of Area Median Income (AMI), and an average AMI of 60% or below will be maintained for the development as a whole. Seventeen (17) of the new units (22% of total units) will be reserved for Project-Based Vouchers; and

WHEREAS, the Affordable Housing Staff has determined that the current affordable housing development proposed by Commonwealth qualifies for a Housing Trust Fund Loan under the current policy; and

WHEREAS, the $975,000 will go to the construction costs of the project and will be secured with a Deed of Trust; and

WHEREAS, the HTF loan shall have a 20-year term with payments deferred; the 2% interest will compound annually, no monthly payments due until repayment at the end of the twenty (20) year term; and

WHEREAS, the City Council's Housing and Community Development Committee reviewed the request from Commonwealth for a Housing Trust Fund loan at its November 27, 2023, meeting, and recommended that City Council approve the loan request;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

A Housing Trust Fund loan in the total amount of $975,000, interest only loan amortizing at 2.0% interest with payment deferred for a term of twenty (20) years, to Commonwealth for the construction of 77 new multifamily apartments located at 3124/3130 Sweeten Creek Road, PIN 9655-33-2749 and 9655-33-0929. All of the apartments will be restricted to individuals and households earning 80% or less of the Area Median Income (AMI), and the average income for the development will be 60% or less of Area Median Income; and the City Manager is hereby authorized to negotiate and execute any and all documents necessary to give effect to this approval.

Read, approved and adopted this 12th day of December, 2023.

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City Clerk Mayor

Approved as to form:

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City Attorney