Mountain Housing Opportunities
16 Restaurant Court

Housing Trust Fund Request

City Council
August 23, 2022

THE CITY OF ASHEVILLE

Key Takeaways

- Mountain Housing Opportunities (MHO) is requesting an $850,000 Housing Trust Fund Loan for an affordable housing project at 16 Restaurant Court.
  - The requested loan includes 0% interest and deferred for a period of 40 years, secured with a Deed of Trust.
- Project is for 50-60 units, all affordable at 60% AMI and below, 10-12 units (20%) would be reserved for young adults aging out of foster care.
- Proposed City funding is for site acquisition ($850,000).
- MHO's pro forma indicates they may request an additional $661,100 from the City for the project at a later date, plus funding requests of other partners, bank financing, and tax credit equity.
  - This would exceed the current policy limit of $1 million
- Staff recommends approval by City Council.

Background

- This site has a previously approved Housing Trust Fund (HTF) loan of $1 million with a different developer.
  - The development did not occur and the City has not spent the funds.
  - This previous funding approval would need to be rescinded as a condition of closing on a future HTF loan.



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Proposal

- MHO will build 50-60 new affordable rental apartments close to Tunnel Road, where there is access to jobs, transit, grocery stores, and other retail.
- Site is 1.31 acres
- The units will be a mix of 1 and 2 bedroom and will have an affordability mix for households at or below 60% AMI with a number of units at 50%, 40%, and 30% AMI or below. Affordability period will be 40 years to match the term of the loan.
- Project will also have 20% of the units (10-12) reserved for young adults aging out of foster care.
    - Between 31% and 46% of youth exiting foster care experience homelessness by age 26. (National Alliance to End Homelessness)

Income and Bedroom Mix

Income & bedrooms	No. of Units	Percentage of Units
30% AMI one bedroom	5	10%
40% AMI one bedroom	5	10%
60% AMI one bedroom	25	50%
40% AMI two bedroom	5	10%
60% AMI two bedroom	10	20%
Total	**50**	**100%**

Request

- MHO is requesting $850,000 to purchase the site. The City's investment would be secured with a Deed of Trust. Both parties have agreed on a three year period for construction to begin after purchase, but this could be extended by 2 years if tax credits are approved in that 3 year period.
- Loan will be due at the end of 40 years.
- MHO intends to seek funding from the following sources:

Funding Source	Amount
City of Asheville HTF (current request)	$850,000 (reduced from $950,000)
City of Asheville HTF (potential future request)	$661,100
Buncombe County	$1,511,100
Dogwood Health Trust	$1,511,100
Bank loan	$3,100,000
Equity	$3,528,000
ESTIMATED TOTAL	$11,161,300

Analysis - Housing Trust Fund Policy

- Project is in an optimal location near Tunnel Road where there are jobs, amenities, and transit.
- Land acquisition is an eligible expense per the policy.
- Under the current proposal for $850,000, the subsidy per unit is $17,000.
    - The application indicates that MHO may come back for an additional $661,100, totalling $1,511,100 which is over the $1,000,000 policy threshold.
    - Under the total request, the requested HTF subsidy will be $30,222 per unit.
    - This a reasonable per unit request, given the advantageous location and the mix of affordability at 60% AMI and below.

Analysis - Housing Trust Fund Policy

- The policy is clear that some form of payback is required. At the same time, under Special Terms, the policy states:

  "It is expected that all borrowers will make regular payments on Housing Trust Fund loans. Waiver of any payment during the loan term will be considered only if extremely low households are being served by the project, and the project could not be developed without that concession."

  - MHO has stated that this is true for this project.
  - Over the past 20 years, the vast majority of loans in the Housing Trust Fund have payments of either interest or principal.

Analysis - Housing Trust Fund Policy

- HTF Policy requires that other funding commitments be secured before closing.
    - MHO will not be able to fulfill this requirement as they want to close on the property in October of 2022 and the Buncombe County funding cycle is not until December 2022.

Staff Recommendation

- Staff recommends approval based on the following:
  - The policy gives room for negotiation on repayment when extremely low income households are being served.
  - The project includes 10-12 units for youth aging out of foster care, a population that is vulnerable to becoming homeless.
  - The affordability period will match the loan term at 40 years.
  - Commitment from MHO to secure investments from Buncombe County and Dogwood Health Trust before returning to the City for any additional funding requests.
  - Staff will review Housing Trust Fund Policy, benchmarking against other NC cities, incorporating lessons learned from recent applications, and provide recommended policy revisions to HCD.

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