THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: October 26, 2021

Subject: Mountain Housing Opportunities Loan Deferral

Staff Resource(s): Nikki Reid,Interim Community & Economic Development Director
Paul D'Angelo, CD Program Director
Marybrook Cox, CD Analyst

Action Requested: Approval of Mountain Housing Opportunities (MHO) request to extend the maturity date of Housing Trust Fund Loan (HTF) 2001-02 (Compton Place) from December 7, 2021, to December 7, 2031, reduce the interest rate from 2.25% to 0.00%, and modify the loan payments to annual principal only payments of $3,962 with a balloon payment of approximately $100,380.

Background:

- MHO received a HTF loan in the amount of $140,000 in December 2001 for Compton Place to construct 40 affordable rental units for low-income senior citizens on Eliada Home Road.
- The project serves seniors who are 55+ and who earn 50-60% of the Area Median Income (AMI).
- This project was completed in March 2003.
- Per the promissory note, the principal amount is deferred until December 7, 2021, with annual interest payments of $3,150.00 each year.
- To date, $52,960 of interest has been paid on this loan.
- Per MHO, Compton Place's cash flow does not support a loan large enough to pay off this loan and other debts.
- MHO intends to bundle Compton Place with other older properties, submit them for an allocation of 4% tax credits (non-competitive) with North Carolina Housing Finance Agency (NCHFA), and complete a moderate level of rehab.
- This would involve restructuring the financing and paying off the existing debt on other loans.
- Community and Economic Development (CED) attempts to work with our development partners who wish to extend their affordability periods, add additional affordable units, improve cash flow for reserves, etc.

Council Goal(s):

- Quality Affordable Housing

Committee(s):

- Housing & Community Development (HCD) - October 19, 2021 - unanimously approved to move forward to City Council

Pro(s):

- By approving MHO's request, affordable units are preserved for an additional 10 years while also providing MHO with the opportunity to complete moderate rehabilitation of the property.
- HTF dollars are preserved.
- This loan is not being forgiven but extended.
- The City has received annual interest payments for the last 20 years.
- It will not collect future interest payments, but will instead receive an annual principal only payment of $3,962 with a one time payment of approximately $100,380 in December, 2031.

Con(s):

- None.

Fiscal Impact:

- No effect on the general fund.
- This loan was made utilizing the Housing Trust Fund. While the Housing Trust Fund will not receive a balloon payment of $140,000 in December as anticipated, this money will be repaid to the City annually over the next 10 years with a balloon payment in December, 2031.

Suggested Motion:

- Motion to approve the Mountain Housing Opportunities (MHO) request to extend the maturity date of Housing Trust Fund Loan 2001-02 (Compton Place) from December 7, 2021 to December 7, 2031, reduce the interest rate from 2.25% to 0.00%, and modify the loan payments to annual principal only payments of $3,962 with a balloon payment of $100,380.

Attachment(s):

- Resolution

RESOLUTION NO. 21-_____

RESOLUTION APPROVING THE LOAN MODIFICATION REQUESTED BY MOUNTAIN HOUSING OPPORTUNITIES ("MHO") TO ALLOW THEM TO MAINTAIN AFFORDABLE HOUSING CONDITIONS AT COMPTON PLACE BY AMENDING LOAN TERMS AND AUTHORIZING THE CITY MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO GIVE EFFECT TO THIS APPROVAL

WHEREAS, the City of Asheville executed a Housing Trust Fund loan agreement (Loan 2001-02) with MHO in December 7, 2001 in the amount of $140,000 located at 547 Eliada Home Road, which was secured by a promissory note and deed of trust, for the production of forty (40) affordable senior rental housing units; and

WHEREAS, the term of each loan was to run for a period of twenty (20) years, wherein at its expiration the full principal amount was to be due in full; and

WHEREAS, in July 2021, MHO stated their intention to continue management of each the property's forty (40) units as affordable senior units for an additional period of ten (10) years, and requested the terms of the loan be extended for a period of ten (10) years to match the period of affordability and allow MHO to restructure existing debt on this property; and

WHEREAS, MHO also requests to reduce the interest rate from 2.25% to 0.00%; and

WHEREAS, MHO requests to modify the loan payments to annual, principle only payments of $3,962 with a balloon payment in 2031; and

WHEREAS, the modification of a Housing Trust Fund loan agreement requires formal approval by the Housing and Community Development Committee and the City of Asheville; and

WHEREAS, on October 19 2021, the Housing and Community Development Committee approved the request by MHO; and

WHEREAS, the actions described above would help maintain the financial condition of the property and ensure the maintenance of affordable housing units in the City of Asheville;

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

The Loan Modification requested by MHO to modify the existing Housing Trust Fund loan for Compton Place by extending the loan period for an additional 10 years, reduce the interest rate from 2.25% to 0.00%, and modify the loan payments to annual principal only payments of $3,962 with a balloon payment of approximately $100,380 on December 7, 2031 is hereby approved and the City Manager of the City of Asheville is hereby authorized to negotiate and execute any and all documents necessary to give effect to this resolution.

Read, approved and adopted this 26th day of October, 2021.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney