Western NC Housing Partnership

Bridging the Housing Gap

August 28th, 2018

Affordable Housing in Lenoir
Senior, 50 units completed

Who We Are

Western N.C. Housing Partnership, Inc. (WNCHP) is a non profit 501(c)3 organization founded in 1996 with assistance from the Appalachian Regional Commission (ARC)

- We are committed to <u>investing</u> in rural communities by developing high quality apartment residences for aging populations and workforce families within the thirty-one county region of Western North Carolina

- WNCHP has obtained financing through tax credit funding and it remains the best vehicle for multi-family affordable housing, particularly in rural areas; we have developed more than 525 apartment units and 16 assets

Arbor Glen- Lenoir
Senior, 50 units at 50-60% of Hickory MSA Median Income

- A summary of community amenities includes: club rooms for communal gatherings, walking trails, fitness center, computer room and interiors include solid wood cabinetry, abundant closets, washer dryer connections, luxury vinyl tile and carpet, LEED certification and excellent space optimization in all floor plans, both 1 and 2 bedroom homes

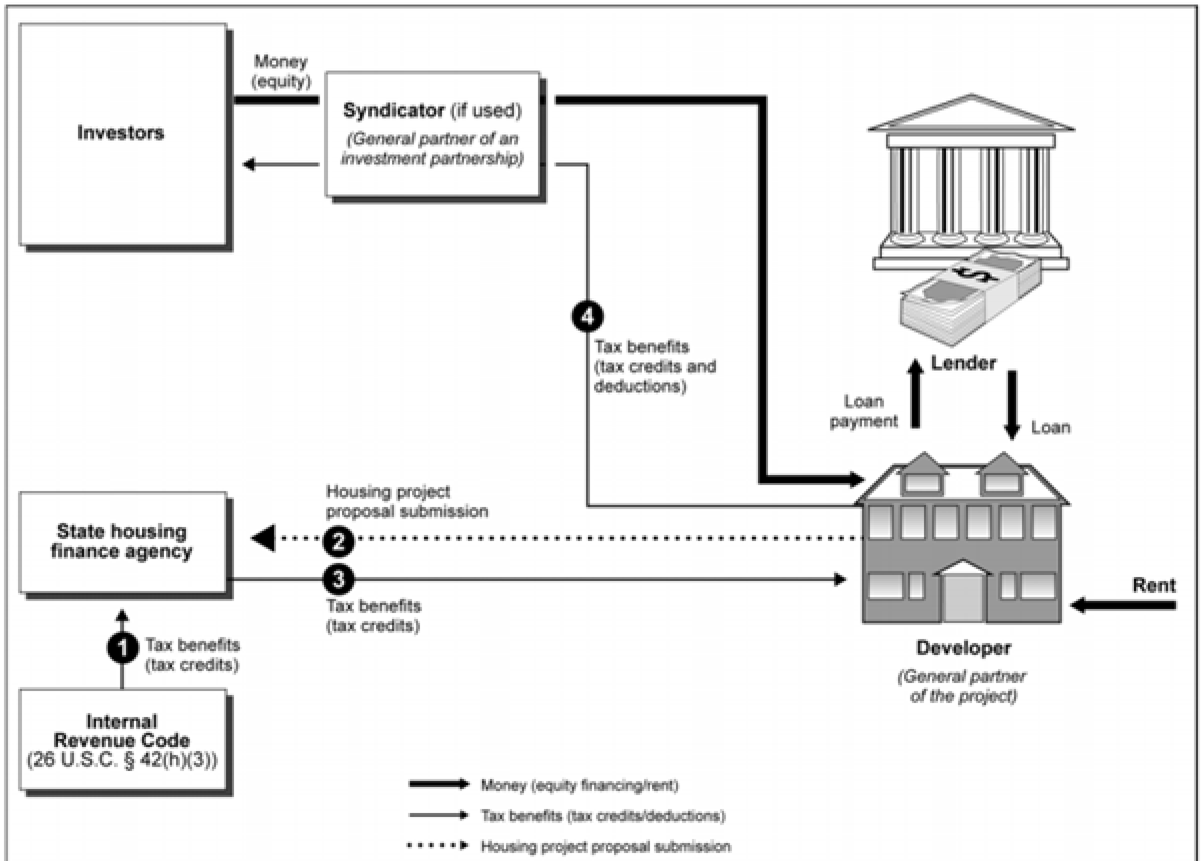
- Our interior and exterior finishes match or exceed those of a for-profit developer and market rate apartments

- Partnering with us results in a commitment of at least 30 years of affordable housing

How we Identify the Target Market

- Needs based development- seniors, workforce or combination
- Work with local town and county officials to assess the interest in bringing about affordable housing
- Commission a preliminary market study that will illustrate multiple economic metrics of the area, demand and capture ratios as well as identify duration of lease- up that can be a challenge in rural areas

Tax Credit Structure



Project Structure

- We utilize tax credits issued by the US Treasury that are awarded and monitored by the state Housing Finance Agency- every state has an agency and often the ‘rules’ differ
- Agency announces tax credit awards August of each year (site scores announced in March)
- Statistically, only 19% of final submissions are awarded tax credits - the west region receives an average of 16% of tax credit funding for the state, equating to 3-5 deals

Project Partners

- Construction lender – often seek construction to permanent lender for one-stop shopping

- Syndicator – equity partner buys the tax credits (.99 in 2016, .86 in 2017) every penny represents $1,000 and credits decreased by $13K/unit requiring the agency to issue more tax credits in 2017 to close the gap after the fact (group of investors purchase credits that provide tax shelter)

- Construction team, architect, engineer and others must have experience with tax credit development and the inherent rules and regulations

Challenges

- Greater difficulty developing in rural locales: locating a site that meets the rigorous agency requirements, NIMBYism, impoverished tracts (we've encountered some small towns that only have higher poverty tracts which is a factor in selection)

- 18% increase in construction costs over the last two years, higher land costs; access to infrastructure, water and sewer, tap fees, related costs

- Construction costs in very rural locales are even higher, in example, Hayesville – developer received a tax credit award but could not build due to $18K higher construction cost/u

Challenges

- Non-MSA rents impact underwriting – in example:

- A one bedroom non-MSA apartment at 50% of median is \$451 vs average MSA rent of \$595, a \$1,700 variance in annual revenue/u

- A higher unit count often required to meet debt service coverage ratio (1.15 minimum)

Best Practices

- Engage early with local stakeholders, assess support and identify housing needs; ongoing communication throughout the development process

- Commission a preliminary market study to verify demand early-on that illustrates capture ratios, absorption and projected lease-up to stabilization which can be of longer duration in rural locations – share all data gathered with stakeholders

- Utilize highly experienced finance, development and management teams with proven tax credit experience – and those familiar to the housing finance agency

Outcomes and Sustainability

- Our Lenoir community reached 100% occupancy within 4 months and has maintained a minimum occupancy of 97%
- Residents are 55+ but those with disabilities at 45+ are also qualified allowing us to serve a more diverse group of residents with an average age of 72
- Perhaps one of most attractive aspects of tax credit financing is *protected longevity of the affordable component* - the asset must remain affordable for at least 30 years providing communities with sustainable affordable housing

Q & A

Thank you for the opportunity to be here today