



BUNCOMBE COUNTY FY 2023

AFFORDABLE HOUSING SERVICES PROGRAM (AHSP)

PROGRAM DESCRIPTION

I. PRIORITY

Ensure comprehensive opportunities for affordable and safe housing as a foundation for healthy and thriving families and neighborhoods.

II. BACKGROUND

Buncombe County's Affordable Housing Services Program (AHSP) is intended to ensure comprehensive opportunities for affordable and safe housing are available. AHSP supports the:

- Construction Loan Program (Loan);
- Downpayment Assistance Program (Loan);
- Tenant-Based Rental Assistance Program (Grant);
- Construction Grant Program (Grant);
- Emergency Repair Program (Grant); and
- New Start Program (Grant).

III. LEAD DIVISION

Community Development Division

IV. APPLICATION PROCESS

Community Development Division staff will advertise a request for proposals (RFP) to solicit project applications from qualified entities and organizations to administer and deliver AHSP supported affordable housing projects. Community Development Division staff will contact applicants who have requested notification and notify them of the AHSP funding opportunity. The AHSP application will be made available online with a prescribed deadline for submittal. Community Development Division staff will review applications and prepare a summary report for each project, which will be provided to the Affordable Housing Committee for review. The Affordable Housing Committee will make recommendations to the Board of Commissioners to approve, through the budget process, funding allocations.

V. STRATEGIC GOALS

- Preserve and increase the stock of affordable housing (including rental developments);
- Reduce substandard housing and expand opportunities for home repair;
- Support homeownership initiatives, including savings, credit building, and downpayment assistance; and
- Address issues of homelessness.

VI. PROJECT PRIORITIES

The Affordable Housing Committee completed project prioritization for the FY 2022 Affordable Housing Services Program. The Affordable Housing Committee will refer to these priorities when recommending funding allocations. However, funding constraints, individual project merits, and achievement of the desired mix of project types will all factor into the ultimate allocation recommendation. Strong preference will be given to projects that demonstrate intent to leverage other sources of debt, equity, or other funding prior to and beyond the Affordable Housing Services Program requests. Strong preference will also be given to projects that demonstrate willingness to consider deferred developer fees. Additionally, applicants seeking

only program administration support or applications where the proportion of administrative support is high relative to project costs are less preferred.

The priorities are:

1. Construction Loans for Multifamily Developments with Units for Sale;
2. Construction Loans for Multifamily Developments with Units for Rent and Which Seek Low Income Housing Tax Credit (LIHTC) Funding;
3. Construction Loans for Multifamily Developments with Units for Rent and Which Do Not Seek Low Income Housing Tax Credit (LIHTC) Funding;
4. Construction Loans for Single Family Units for Sale;
5. Downpayment Assistance Program Loans;
6. Tenant Based Rental Assistance Program Grants;
7. Construction Grant Program Grants;
8. Emergency Repair Program Grants; and
9. New Start Program Grants.

PROGRAM REQUIREMENTS AND GUIDELINES

I. APPLICANTS

Applicants may be:

- For-profit corporations, partnerships, or sole proprietors;
- Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or
- Public non-profit agencies and governmental agencies, including Buncombe County (which may directly operate AHSP projects).

Applicants may not be individuals seeking to build an individual unit for their family.

II. INSTRUCTIONS FOR SUBMITTING APPLICATIONS

Applicants may apply online at www.buncombecounty.org/apply. Applicants should be familiar with all program requirements and guidelines described below at the time of application.

III. ACTIVITIES

The following activities are eligible:

- Construction (including site work and soft costs) of new affordable single-family or multifamily housing units for sale or rent (or non-revenue generating) which must meet state and local building codes and must be stick-built or system-built (modular);
- Conversion of existing non-residential structure(s) for affordable single-family or multifamily housing units for sale or rent (or non-revenue generating) which must meet state and local building codes and must be stick-built or system-built (modular);
- Downpayment assistance for income eligible homebuyers;
- Tenant-based rental assistance in connection with homelessness prevention;
- Emergency repair of single-family units for income eligible clients; and
- New start programs which provide opportunities for affordable and safe housing for healthy and thriving families and neighborhoods which are innovative in approach.

Eligible activities must take place within Buncombe County.

IV. DEFINITION OF AFFORDABILITY

To be considered affordable units, units for sale must be:

- Sold as affordable (not to exceed 30% of the buyer's income);
- Sold to an eligible homebuyer (a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described in HUD's Income Limits Summary Table available at the time of the opening of the RFP process); and
- Have a maximum sales price as described in HUD's 2021 HOME and Housing Trust Fund Homeownership Sales Price Limits Table available at the time of the opening of the RFP process.

To be considered affordable rental units, units for rent must be:

- Rented at a rate not to exceed HUD's Fair Market Rent as described in HUD's Fair Market Rent Documentation System available at the time of the opening of the RFP process; and
- Rented to eligible tenants (a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described in HUD's Income Limits Summary Table available at the time of the opening of the RFP process).

V. PROJECT AND REIMBURSEMENT TIMEFRAME

Construction and conversion projects must be scheduled to break ground by January 31, 2023 and begin requesting reimbursement by July 31, 2023. All other projects must complete expenditures and request reimbursement by July 31, 2023.

VI. CONSTRUCTION LOAN PROGRAM

TERMS APPLICABLE TO ALL CONSTRUCTION LOANS

- Eligible Applicants: For-profit corporations, partnerships, or sole proprietors; private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies.
- Maximum Loan Amount: 10% of the cost per affordable unit (for conversion construction the cost per unit shall be based on a licensed contractor's estimate of required repairs to bring the units up to building code and including service delivery and administration costs in the estimates); 20% of the cost per unit for 4% low-income housing tax credit projects (for conversion construction the cost per unit shall be based on a licensed contractor's estimate of required repairs to bring the units up to building code and including service delivery and administration costs in the estimates); applicants with projects solely targeting households at $\leq 30\%$ AMI may request loans exceeding the maximum loan amounts prescribed herein (10%/20%).
- Uses: Affordable unit construction, infrastructure improvements, professional services, and costs of permitting.
- Form: Loan secured by a lien on the property being assisted, provided the County takes or shares a first lien position, or where the County accepts a lower lien position subject to the amount of loan funds financed.

ADDITIONAL LOAN TERMS APPLICABLE TO NEW AND CONVERSION CONSTRUCTION: UNITS FOR SALE

- Term and Interest Rate: Five (5) years or until the property is transferred or sold, whichever occurs first. Fully amortizing at an interest rate of 2.00%.

ADDITIONAL LOAN TERMS APPLICABLE TO NEW AND CONVERSION CONSTRUCTION: UNITS FOR RENT

- Term and Interest Rate:

Standard terms and interest rates are considered to be the default term and interest rates offered. An applicant may request from among the following standard terms and interest rates:

- 7 year term, fully amortizing at an interest rate of 2.50%, annual principal and interest payment;
- 10 year term, fully amortizing at an interest rate of 2.75%, annual principal and interest payment;
- 15 year term, fully amortizing at an interest rate of 3.25%, annual principal and interest payment;
- or
- 20 year term, fully amortizing at an interest rate of 3.75%, annual principal and interest payment.

An applicant may request the *option* of interest only payments with principal balloon provided the applicant indicates such at the time of application and demonstrates a need for such terms for project viability. An applicant may request from among the following interest only payments with principal balloon:

- 7 year term, at an interest rate of 3.00%, annual interest payment and principal balloon;
- 10 year term, at an interest rate of 3.25%, annual interest payment and principal balloon;
- 15 year term, at an interest rate of 3.75%, annual interest payment and principal balloon; or
- 20 year term, at an interest rate of 4.25%, annual interest payment and principal balloon.

An applicant may request the *option* of interest only payments from cashflow with principal balloon provided the applicant: (1) is pursuing low-income housing tax credits and/or is a project targeting households at $\leq 30\%$ AMI; (2) indicates that such terms are desired at the time of application; and (3) demonstrates a need for such terms for project viability. An applicant may request the following interest only payments from cashflow with principal balloon:

- 20 year term, at an interest rate of 2.00%, annual interest payment from cashflow with principal balloon.

Requests for interest only payments does not guarantee award of a loan on those terms. Applicants should have a willingness to consider various approaches that support project viability including, but not limited to, deferring developer fees as appropriate.

CONSTRUCTION AND CONVERSION LOAN AGREEMENTS

Loan agreements shall be executed between the County and applicant with specific conditions depend on the project type. Loan agreements shall include the following:

- Applicants shall submit regular progress reports;
- Applicants shall provide record access by Buncombe County staff;
- Applicants shall abide by Fair Housing and Equal Rights Opportunity principles adherence requirements (which prohibit discrimination based on race, color, age, sex, gender, religion, national origin, disability, or family status);
- Applicants units constructed or converted shall be openly marketed to ensure fair housing choices;
- Applicants shall describe income limits of occupants/owners;
- Applicants shall ensure and annually verify affordable rent levels for the lifetime of the loan (where constructed for rent);
- Applicants shall provide statements of project cashflows with the annual repayment (where constructed for rent) consistent with those provided to all other investors;
- Applicants shall not pursue property tax relief for the lifetime of the loan (where constructed for rent), except where such provision is counter to N.C.G.S.;
- A detailed project scope including project completion time limits; and
- Conflict of interest prohibitions.

VII. DOWNPAYMENT ASSISTANCE PROGRAM

- Eligible Applicants: For-profit corporations, partnerships, or sole proprietors; private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must either coordinate homebuyer's education classes or require participants complete a homebuyer's education course. An applicant who is also seeking a construction loan may submit a single application that includes both the construction loan and downpayment assistance loan budgets.
- Maximum Loan Amount: 10% of the cost per affordable unit
- Uses: Downpayment assistance must:
 - Benefit an eligible homebuyer (a homebuyer with a household income at or below 80% of Area Median Income (AMI) adjusted for household size);
 - Benefit a homebuyer that has completed a homebuyer's education course; and
 - Be for an affordable unit for sale, as defined above.
- Form: Non-forgivable loan, secured with a lien on the property being assisted, provided the County takes or shares a first lien position, or where the County accepts a second lien position, subject to the amount of loan funds financed.
- Term: Due in the event the homeowner no longer lives in the unit, sells the unit, or refinances the unit

- Interest Rate: 0%
- Loan Agreements: Loan agreements shall be executed between the County and applicant for the project

VIII. TENANT BASED RENTAL ASSISTANCE PROGRAM

- Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must specialize in working with homeless families or those at risk of homelessness and must provide housing stabilization services and after placement follow up for clients.
- Maximum Assistance: \$2,500 per household. Where assistance exceeds \$1,500 per household, such assistance shall be for the purposes of eviction prevention.
- Uses: Security and utility deposits, moving expenses, first month's rent, and eviction prevention.

IX. CONSTRUCTION GRANT PROGRAM

- Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must specialize in working with homeless families or those at risk of homelessness and must provide housing stabilization services and after placement follow up for clients.
- Maximum Assistance: \$25,000 per non-revenue generating unit.
- Uses: Unit construction

X. EMERGENCY REPAIR PROGRAM

- Eligible Applicants: For-profit corporations, partnerships, or sole proprietors; private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant must have no financial interest in the unit(s) to be repaired.
- Maximum Assistance: \$15,000 per unit
- Repairs Under \$10,000:
 - Must benefit an eligible homeowner (a homeowner with a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described in HUD's Income Limits Summary Table available at the time of the opening of the RFP process);
 - Must be performed on units where the applicant has no financial interest;
 - May include repairs for life safety issues; and
 - May be used for retrofitting units for needs of individuals with disabilities.
- Repairs at \$10,000 and up to \$15,000:
 - Must be forgivable loan, secured with a Note and Deed of Trust and repayable within ten (10) years if the eligible homeowner sells or no longer occupies the unit;
 - Must benefit an eligible homeowner (a homeowner with a household income at or below 80% of Area Median Income (AMI) adjusted for household size as described HUD's Income Limits Summary Table available at the time of the opening of the RFP process);
 - Must be performed on units where the applicant has no financial interest;
 - May include repairs for life safety issues; and
 - May be used for retrofitting units for needs of individuals with disabilities.

XI. NEW START PROGRAM

- Eligible Applicants: Private incorporated non-profit agencies with IRS 501(c)(3) or similar designation; or public non-profit agencies. The applicant may only request funding a single time for a specific new start program.
- Maximum Assistance: \$25,000

- Uses: Costs associated with the development and implementation of a new program which provides opportunities for affordable and safe housing for healthy and thriving families and neighborhoods and which is innovative in approach. Funding may include administrative and program implementation costs.

XII. REVIEW PROCEDURE

Applications will be reviewed by staff from the Community Development Division and may also be reviewed by other County departments and County Management. The Affordable Housing Committee will make recommendations to the Board of Commissioners to approve, by resolution, the funding allocations.

XIII. ADMINISTRATION

Staff of the Community Development Division will administer the AHSP, with assistance from the County Finance and Legal Departments, and under the direction of the County Manager.