Building
Rural
Communities

HAC

Loan Committee Meeting

Housing Assistance Council

Friday, June 15, 2018
1:00 pm (EST)

Skype Call
Join by phone 1-844-563-4961 ~ Conference ID #55710079

LOAN COMMITTEE MEETING
FRIDAY, JUNE 15, 2018 – 1:00 P.M. (EST)
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I. CALL TO ORDER

A. Approval of Agenda

II. SUMMARY OF FUNDS AVAILABLE

III. ACTIONS BY LOAN COMMITTEE

A. Loan Requests
   1. Housing Assistance Corporation, NC (RHLF/HLP)
   2. Open Doors Louisiana, LA (RHLF)

	HAC Loan Funds[A]	PRLF	HLP
Liquid assets at June 10, 2018	$12,595,468[B]	$1,883,787	$5,611,765
+ Approved debt/equity investments		868,150	
- Note principal/interest payments	-360,300	-339,584	
- Funds unavailable for lending		-250,000	
- Outstanding loan commitments	-3,066,044		-648,700
TOTAL FUNDS AVAILABLE FOR LENDING	$9,169,124	$2,162,353	$4,963,065

	REQUEST	RECOMMENDED	
Housing Assistance Corporation, NC	$504,000	$420,000	$120,000
Open Doors Louisiana, LA	240,000	240,000	
TOTAL	$744,000	$660,000	$120,000

[A] HAC Loan Funds include RHLF, WWWLF, IRP, and HCI.
[B] Includes $2,086,185 board-designated (earnings from SHOP 1996 & 1998 closeout).

Borrower:	Housing Assistance Corporation
Lender:	Housing Assistance Council
Credit Facility:	(A) Rural Housing Loan Fund (RHLF) Commercial Real Estate term loan up to $420,000. (B) Homeownership Loan Program (HLP) Commercial Real Estate term loan up to $120,000 (no forgivable portion) *(Total proposed loan $540,000)*
Purpose:	Both loans will be used as acquisition financing for 12 lots and to finance infrastructure improvements on specific lots, related to the construction of 12 single-family (self-help) affordable homes. The HLP loan will be limited to $10,000 per lot, up to the total proposed loan amount of $120,000).
Acquisition/Infrastructure:	Borrower will submit a list of the 12 lots to be acquired (supported by ratified sales/purchase agreements) to include purchase price and appraisals/documented values (not to exceed 100% LTV on a per-lot financed basis). HAC will review and approve each acquisition request submitted by Borrower. Borrower will also submit a list of the lots (i.e. of the twelve) that will require infrastructure development as well as provide an infrastructure development budget. Lender will review and approve each draw submitted by Borrower for infrastructure improvement to each lot.
Draw Period/Loan Term:	Borrower will have a draw period of up to 12 months for property acquisition; followed by a three-year (36 month) term with amortization based on 420 months (35 years). During the 10 months draw period, Borrower will make interest payments on the outstanding principal (RHLF) at the stated interest rate.
Repayment:	(A) During the draw period, Borrower will be required to pay monthly interest on the outstanding principal balance. After the draw period, monthly principal and interest payments will be required on the outstanding principal balance, based on a 35-year amortization schedule, with a minimum per lot debt reduction of $32,000 at the sale of each lot. (B) After the draw period Borrower will be required to pay monthly principal payments based on a 35-year amortization schedule, with a minimum per lot debt reduction of $10,000 at the sale of each lot.
Interest Rate:	(A) Fixed at 4.75% (B) 0%
HAC Service Fee:	(A) $4,200 (1% of total loan) (B) $1,200 (1% of total loan)
Collateral:	Title insured first deed of trust on the to be acquired 12 lots, located in Henderson County.
Guarantor(s):	None
Recourse:	HAC may seek financial damages if the Borrower fails to pay the loan and if the value of the underlying asset (collateral) is not sufficient to cover the debt.
Risk Rating:	3 (Moderate Risk)
Policy Exceptions:	None
Commitment Expiration:	The loan commitment will expire 12 months from the date of approval.

HAC Credit Exposure (as of June 10, 2018)

Loan Fund	Original Principal	Principal Balance	Loan Maturity
SHOP 2013	$60,000	$54,000	07/31/2018
SHOP 2014	120,000	108,000	03/31/2019
Total	**$180,000**	**$162,000**	

History of Borrower's Organization

The Housing Assistance Corporation (HAC-NC) is a private, non-profit organization committed to providing safe and affordable housing for persons of limited income living in Henderson County and surrounding areas, because we believe every human being deserves the opportunity to live in a decent home.

HAC-NC is celebrating its 30th anniversary this year. HAC-NC provides affordable housing options in Henderson County through construction of single-family and multi-family units. To date, HAC-NC has built 291 multi-family units and 167 single family homes.

HAC-NC has used many multi-family programs successfully: USDA Farm Labor Housing, Transitional Housing (Migrant Worker and Domestic Abuse Housing), HUD 202 and 811, Tax Credit MF and Tax Credit Senior. They also help 100+ households per year with home repairs so they can stay in their existing homes, which are now healthy, safe and stable. In 2017 HAC-NC also completed a rehab project of 8 apartments in partnership with domestic abuse non-profit Safelight, Henderson County Community Foundation and First Methodist Church.

Proposed Project – Henderson County, NC

HAC-NC has proposed to build 12 single family self-help homes in Henderson County, NC. The proposed project will be tiered into three building groups (4 units per group). The homes will have up to 1,430 Sq. ft and will consist of three bed rooms and 2 bath rooms. Lots for the proposed homes will ideally range from .3 acres to .6 acres per home.

HAC-NC has identified approximately 1.1 acres of land to acquire and make infrastructure improvements in preparation for the construction of the first four self-help homes. The four perspective lots are located at 708 W Allen St, Hendersonville, NC. The current offer to purchase is approximately $150,000, with minimal infrastructure improvements required. The remaining eight lots of the project will be identified and acquired over the next 12 months, with some of the lots potentially requiring infrastructure development, prior to the vertical build.

The organization has reviewed two floor plans for the first building group, to include the Gibson II or Forbes I. The Gibson II plan offers a 3-bedroom 2 bath 1430 Sq. ft two-story Prairie style house, featuring a large open living room and a spacious kitchen with a breakfast bar that opens into the dining area. The Forbes I present the homebuyer with an 1167 Sq. ft Prairie style home with 3-bedrooms and 2 baths. The home will feature a large open living and dining area, and a spacious kitchen.

HAC-NC estimates that the 12 unit Self-Help building project will be completed within 24 months from the August 2018 close of the first four lots. HAC-NC's objective is to align the project development completion date with their USDA-RD 523 TA grant, which expires 7/20/20.

The Borrower states that the first six homebuyers have been qualified by USDA-RD to receive 502 permanent financing, with the final two homebuyer applications being processed at this time. HAC-NC has a significant Homebuyer Counseling program with a waiting list of approximately 56 individuals to be processed for affordable homes.

Proposed Project Cost

As previously noted the land acquisition cost for the first four lots is approximately $150,000 with little, if any, infrastructure cost. The proposed housing units, Gibson II and Forbes I, have estimated building costs of $131,000 and $118,000 respectively. The land acquisition cost will increase each floor plan cost to the homebuyer by approximately $42,000 (Note: HAC's loan will allow up to $45,000 per home). Additionally, HAC/NC projects $22,000 additional cost per unit to include water/sewer and landscaping/grading/paving.

Need for Affordable Housing

Henderson County is located within the southeast portion of the study region. It encompasses a total of 375 square miles. The county has a population of 110,905 people with a median age of 46.8 and a median household income of $48,138. Between 2015 and 2016 the population of Henderson County, NC grew from 109,719 to 110,905, a 1.08% increase and its median household income grew from $46,448 to $48,138, a 3.64% increase[1].

The median property value in Henderson County, NC is $185,800, which is 0.91 times smaller than the national average of $205,000. Between 2015 and 2016 the median property value increased from $182,300 to $185,800, a 1.92% increase. Additionally, the homeownership rate of Henderson County, NC is 72.7%, which is higher than the national average of 63.6%. Henderson County is projected to experience an increase in both population and households between 2015 and 2020. As projected population and households are will increase by 5,686 (5.1%) and 2,495 (5.2%), respectively. These positive projected demographic trends are generally similar to the projected trends within the region.[2] Between 2015 and 2020, it is projected that the number of households between the ages of 65 and 74 in Henderson County will increase the most, adding 1,106 (12.2%) households during this time. Additionally, it is projected that Henderson County will also experience notable growth among householders between the ages of 55 and 64, and among those age 75 and older during this same period.

It is also projected that between 2015 and 2020, the greatest increase in households by income level in Henderson County will be among those with incomes between $35,000 and $49,999. Most household income segments below $50,000 are projected to experience noticeable growth between during the projection years. As such, the low-income household segment is projected to experience the greatest growth, adding to the need for affordable housing.

The Bowen research shows that residents of the county face a variety of housing issues that include such things as; lacking complete kitchens and/or indoor plumbing, overcrowding (1.01 or more persons per room), severe overcrowding (1.51 or more persons per room), cost burdened (paying over 30% of their income towards housing costs), severe cost burdened (paying over 50% of their income towards housing costs), and potentially containing lead paint (units typically built prior to 1980).

The availability of housing stock within the “low income household” price range is almost non-existent in Henderson County. According to market reports, homes in the region priced at or below $250,000 is considered affordable, however Henderson County is projected to only have 3 months inventory of homes in this price range.

The need for affordable housing in Henderson County is substantial. Current housing construction activity and the median sales prices in the county does not provide low-income individual/families with many housing options. These issues are not easily solved by market rate builder/developers, but with organizations dedicated to providing affordable housing HAC’s involvement can make an impact.

Demographics of the Service Area

The ethnic composition of the population of Henderson County, NC is composed of 92,992 White residents (83.8%), 10,806 Hispanic residents (9.7%), 3,249 Black residents (2.93%), 1,977 Two + residents ethnic groups (1.78%), and 1,226 Asian residents (1.11%). In 2016, the median household income of the 46,985 households in Henderson County, NC grew to $48,138 from the previous year's value of $46,448.

The primary employment sectors and their corresponding shares of the county’s total employment are Retail Trade (11.3%), Manufacturing (8.3%), and Health Care & Social Assistance (8.3%).

Poverty Statistics

Poverty statistics for Henderson County suggest 13.3% of the population (14,559 out of 109,603 people) live below the poverty line, which is slightly lower than the national average of 14%. The largest demographic living in poverty is Female 55-64, followed by Female 45-54 and then Male 6-11. The most common racial or ethnic group living below the poverty line in Henderson County, NC is White, followed by Hispanic or Latino, and Black or African American.

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[1] Data USA – 2016 Data

[2] Bowen National Research (Henderson County, NC Housing Needs Assessment)

Sources of Funding

HAC-NC's cost structure for the proposed project will include acquisition and infrastructure development cost, construction cost, and administrative cost. Their source of funding is projected to come from the following:

Project Specific Cost	Source	Proposed Amount
Acquisition/Infrastructure	Housing Assistance Council	$540,000
Construction & Land	USDA-RD 502 (4 x $131,000)	$524,000
Administrative	USDA-RD 523 TA Grant	$382,320

HAC-NC's 523 grant in the amount of $382,320 covers the period 7/2018 – 7/2020 for the 12 Units.

Repayment

Repayment of the proposed HAC debt will come from both HAC-NC operating cash flow and proceeds from the buyer's USDA-RD 504 loan at settlement. During the draw period, the Borrower will make monthly interest payment on the outstanding balance of the interest-bearing debt (i.e. RHLF).

After the draw period, HAC's proposed debt will require monthly amortization of principal and interest payments on the outstanding principal amount. At the completion and sell of each unit, HAC will receive principal reductions of $42,000 per unit, as itemized on the settlement statement of each unit sold. HAC-NC states that four potential home purchasers have been prequalified by USDA-RD to receive 502 permanent financing and are ready to start construction when sites are acquired.

Collateral

The first Phase of the proposed project will include the acquisition of 1.1 acres of land at approximately $150,000. The project's sponsor has provided a comparison appraisal of a similar property in the city of Hendersonville, NC. The sales price of the real properties ranges from $163,000 to $239,900.

The arithmetic mean (value) of the 4 compared properties was $197,225. However, using the cost approach, to value the perspective completed dwelling and land, the appraiser proved values of $45,000 (Land) and $162,250 (Dwelling). The projected land value of $540,000 (12 lots x $45,000) would potential provide a loan to value under HAC's requirement for LTV (e.g. $504,000/$540,000 = 93%) assuming no more than $42,000 per lot is disbursed.

Financial Statements

BALANCE SHEET DATA	Audited Financial Statements Spreads		
FYE December 31	2017 (Draft)	2016	2015
BALANCE SHEET DATA			
Cash	640,418	846,363	714,561
Current Portions of Notes Rec.	97,358	0	24,645
Accounts Receivable	58,951	35,393	49,606
Prepaid Expenses	16,463	13,947	11,744
Cost in Excess of Billings	132,713	39,487	137,992
Other Current Assets	8,217	31,917	24,328
CURRENT ASSETS	954,120	967,107	962,876
Restrictive Deposits and Funded Reserves	522,657	543,079	494,350
Property, Plant & Equipment - at cost	5,694,549	5,598,275	5,596,945
Accumulated Depreciation	-2,483,744	-2,337,803	-2,179,700
Loans Rec. Related Party	1,277,839	1,277,839	1,277,839
REL Held for Development and Sale	1,823,218	1,203,314	1,161,787
Long Term Notes Rec - Discounted	226,050	337,531	321,926
Other Non-Current Assets (2)	19,463	16,762	15,323
TOTAL ASSETS	8,034,152	7,606,104	7,651,346
Accounts Payable	8,928	15,080	51,979
Accrued and Other Prepaid Expenses	46,731	28,271	33,435
Current Maturities of Long Term Debt	80,427	92,603	39,383

BALANCE SHEET DATA	Audited Financial Statements Spreads		
FYE December 31	2017 (Draft)	2016	2015
Current Portions of Capital Lease Oblig.	2,505	2,326	2,592
Accounts Payable - Development	199,622	0	15,227
CURRENT LIABILITIES	338,213	138,280	142,616
Long Term Debt - Net of CPLTD	1,859,275	1,812,015	1,742,128
LTD - REL Development Loan	1,194,775	775,940	777,999
Tenant Savings and Security Deposits	72,745	62,839	61,612
Capital Lease Oblig. - Net of Current Portion	5,497	8,002	9,875
Debt Issuance Cost	(8,716)	0	
TOTAL LIABILITIES	3,461,789	2,797,076	2,734,230
Unrestricted	2,398,892	2,571,451	2,809,728
Board Restricted	552,107	552,107	464,075
Temporarily Restricted	1,621,364	1,685,470	1,643,313
NET ASSETS	4,572,363	4,809,028	4,917,116
TOTAL LIABILITIES AND NET ASSETS	8,034,152	7,606,104	7,651,346

INCOME STATEMENT DATA	2017	2016	2015
Revenues	1,822,207	2,014,317	1,462,621
Cost of Real Estate Sold	251,630	716,262	408,789
Gross Profit	1,570,577	1,298,055	1,053,832
Depreciation/Amortization	148,710	158,103	123,403
Salaries, Wages, and Benefits	558,735	627,079	641,304
Program Expense	506,552	23,946	61,621
Apartment Services	429,112	403,920	364,872
Other Program and Supportive Services Expense	150,378	182,496	258,634
Total Expenses	1,793,487	1,395,544	1,449,834
Net Operating Profit (NOI)	-222,910	-97,489	-396,002
Interest Expense	(1,208)	(1,698)	(1,798)
Other Income or Gains			15,244
Other Expenses or Losses	(12,547)	(8,901)	(3,303)
Changes in Net Assets	-236,665	-108,088	-385,859

Financial Analysis

The organization produced FY 2017 revenues of $1,822,207 which were approximately 9.5% less than the previous period. This decrease in revenue was primarily due to a $767,000 decrease (85% reduction) in revenue being generated by real estate sales. Of concern was the halting of production of single-family homes on the Oklawaha Village site to allow the addition of a required (City of Hendersonville). The Sewer Pump Station project was completed and became operational in November of 2017. (The underwriter notes that the organization's cash flow statement adds back this extraordinary item.)

Net Operating Profit declined by approximately by 129% as general and administrative expenses increased by approximately $397,943. Substantial increases in Program expenses (+ $482,606) at during fiscal year 2017 were a significant driver in increase G&A expense. As noted, the organization runs approximately 17 programs including New Home Development and Home Repair.

Again, the installation of the Sewer Pump Station added approximately $600,000 in extraordinary expense to the New Housing Development program expense during FY 2018. The Underwriter notes that HAC-NC received a $400,000 grant, from the City of Hendersonville, as partial reimbursement for the cost incurred to install the Sewer Pump Station. With the increased G&A expense the resultant NOI was -$222,910 at FYE 2017.

Interim Financial Statement

INTERIM INCOME STATEMENT	5/31/2018
Total Revenue	391,304
Expenses	
Salaries, Wages, and Benefits	211,133
Program Expense	11,710
Other Program and Services Expense	49,753
Total Expenses	272,596
Operating Profit	118,708
Interest Expense	(234)
Other Income or Gains	418
Changes in Net Assets	118,892

HAC-NC's interim Statement of Income (5/31/18) shows total revenue of $391,304, with total expense at $272,596 providing a Change in Net Assets of $118,892. With no significant unforeseen events, the organization is expected to show a profit at FYE 2018.

Operating Cash Flow (As of 12/31/17)

OPERATING CASH FLOW	FYE 2017
Change in Net Assets	($236,665)
Add: Depreciation	148,710
Interest Expense	459
Loss on Sale of REL	125,630
NPV Adjusted of Notes Payable	12,525
Extraordinary Item (Write-off REL Held for Development - to include amounts related to Pump Station)	461,656
Total Operating Cash Flow for Debt Service	$512,315

At FYE 2018 HAC-NC's calculated (adjusted) Operating Cash for debt service was approximately $512,315. Their current portions of long-term debt (i.e. Amount of Principal that will be due within one year of the date of the balance sheet) at FYE 2017 is $82,932. The adjusted Operating Cash Flow at FYE 2017 would be adequate to service the existing debt, as well as the proposed HAC debt.

Risks

- The organization has had consecutive years of losses.
- Sight control for the first phase of the project is not completed.
- Borrower financing the project with mostly debt vs. equity.

Strengths/Mitigants

- The organization is an experienced developer.
- Projected cash flow will support the proposed HAC debt.
- Significant demand for affordable housing in the region.
- The vertical build will be funded via USDA-RD 502 construction-to-permanent loan.
- There are four potential homebuyers who have been qualified for their 502 loans.
- HAC's debt would be repaid partially through amortizing P&I, as well as 502 funds at closing of each lot up to $45,000 per lot.

Recommendation

Staff recommends approval of a term loan up to $540,000 to HAC-NC based on the target market and the need for affordable housing in the region. Funding for the proposed project will be subject to the following conditions:

1. Debt service coverage of 1.15:1.0
2. HLP requires the use of ENERGY STAR-labeled appliances and products

Borrower:	Open Doors Louisiana, Inc. (*537 Cajundome Blvd, Ste. 111, Lafayette, LA, 70506*)
Lender:	Housing Assistance Council
Credit Facility:	Rural Housing Loan Fund (RHLF) Commercial Real Estate term loan up to $240,000.
Purpose:	To refinance the outstanding balance on the construction line of credit held by The Evangeline Bank and Trust Company (has provided a conditional loan commitment up to $225,000) for the construction of a three (3) unit multifamily affordable rental property to be located at the 700 Block of Voorhies Street, Lafayette, LA 70501.
Loan Term:	A five-year (60 month) term with a 30-year amortization (renewable at HAC's discretion).
Repayment:	The term loan will be repaid through monthly amortization of principal and interest through Net Operating Income, after statutory reserves (See Reserve for Replacement). HAC's debt shall be in a superior lien position to all other debt related to the property, including Louisiana Housing Corporation HOME debt.
Interest Rate:	Fixed at 4.75%; rate may adjust at each potential renewal of the term loan.
HAC Service Fee:	$2,400 (1% of total loan)
Collateral:	Title insured first deed of trust on real property located at the 700 block of Voorhies Street, Lafayette, LA 70501. HAC to have an assignment of lease rentals from the three-unit affordable multifamily rental property to be located at the 700 block of Voorhies Street, Lafayette, LA 70501.
Guarantor(s):	None
Recourse:	HAC may seek financial damages if the Borrower fails to pay the loan and if the value of the underlying asset (collateral) is not sufficient to cover the debt.
Risk Rating:	3 (Moderate Risk)
Policy Exceptions:	Loan Fund Policy (*Part III, Section E: Eligible Projects; Subsection 1: Location*) – "*Unless otherwise dictated by funding sources, loan funds shall serve rural areas and towns with populations of 35,000 or less, and all areas approved for lending by the Rural Housing Service of the USDA. Loans to projects in towns of greater population, which are rural in character, will also be considered as funds permit*." The subject multifamily project will be in the city of Lafayette, LA with an estimated population of 129,626.
Commitment Expiration:	The loan commitment will expire 12 months from the date of approval.

History of Borrower's Organization

Open Door Louisiana, Inc., is a tax-exempt organization organized under section 501(c)(3) of the Internal Revenue Tax Code. The organization was originally chartered on March 11, 2014 under the name NorthStar Redevelopment and changed its name to Open Door Louisiana, Inc in 2017.

The organization is certified as a Community Development Entity (CDE) and a Community Housing Development Organization (CHDO) whose mission is to economically empower, sustain, and preserve affordable housing by revitalizing communities through the construction, rehabilitation, and management of multi-family housing for low to moderate income families.

Project Location – Lafayette, LA

The proposed project "Voorhies Street Multifamily Apartments" will be in the City of Lafayette, Louisiana (Parish of Lafayette). Lafayette is in the southwestern region of the State of Louisiana and is the principal city of the Lafayette Metropolitan area. The City has a 2018 estimated population of 129,626, with the Parish's 2018 population at 242,485. The Parish is the six (6) largest "county" in Louisiana and is in the heart of Acadiana, an eight-parish area in the center of southern Louisiana between New Orleans and Houston.

The centrally-located parish of Lafayette serves as an economic center of Louisiana. The region's legendary joie de vivre and Cajun and Creole cultures are known around the globe, creating a unique environment for work and play. The business base of the Parish includes energy services, manufacturing, health care, transportation and distribution, education, information technology, finance, tourism, and other services related industries.

Lafayette's trade market includes over one million tourists visiting each year. The resilience of Lafayette's economy is attributed to the strategic growth, entrepreneurial spirit and skilled workforce that demonstrates a strong work ethic influenced by southern values.

Demographics of Lafayette

French, Creole and Acadian culture, handwork and traditions are very noticeable in and around the region. The city has an area of almost 54 square miles and a population density of over 2,371 people per square mile. Per the 2010 census, over 68% of the city's population is White, over 28% is black, over 1% is Asian, and approximately 8% are Hispanic or Latino. It is estimated that 11.5% of the population speaks French or Creole French, while over 84% speak English.

The largest age group is 25 to 44, which makes up 29.5% of the total population. More than one-quarter of the City's population is under 18, while 11.2% are at least 65 years old. Additionally, approximately 11.6% of the population lives below the federal poverty line.

As reported, 86.1% of Lafayette's population, age 25 and older have at least a high school diploma, with 35.4% of the City's residents, age 25 and older having at least a bachelor's degree of higher.

The 2016 Income data for Lafayette Louisiana compared to the State of Louisiana and the Nation is presented in the tables below[1]:

Table I ***Median Household Income***	2016	1 Year Change	3 Year Change
US	$57,617	+2.01%	+7.02%
Louisiana	$45,146	-2.50%	-0.79%
Lafayette	$45,409	-7.29%	-8.39%

[1] Data for tables 1 & 2 were reproduced from American Community Survey (ACS) 2016 Data Models (the most recent compiled data).

Table 2 ***Per Capita Income***	2016	1 Year Change	3 Year Change
US	$31,128	+2.54%	+7.19%
Louisiana	$25,664	-0.44%	+0.86%
Lafayette	$24,954	-8.43%	-6.62%

Poverty Statistics – Lafayette, LA

According to 2016 data, the City of Lafayette, LA has an estimated 19.4% of its citizens below the poverty level. The table 3 below provides demographic based poverty statistics for the City of Lafayette. Table show the 2016 National poverty rates.

Table 3 ***2016 ACS Poverty Statistics***[2]	Lafayette City, Louisiana					
Subject	Total		Below poverty level		Percent below poverty level	
	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error
Population for whom poverty status is determined	123,101	+/-2,018	23,863	+/-4,012	**19.40%**	+/-3.2
AGE						
Under 18 years	25,162	+/-2,689	6,273	+/-2,124	**24.90%**	+/-7.9
Under 5 years	7,163	+/-1,218	2,654	+/-1,016	**37.10%**	+/-13.3
5 to 17 years	17,999	+/-2,514	3,619	+/-1,523	**20.10%**	+/-8.0
Related children of householder under 18 years	25,077	+/-2,727	6,188	+/-2,112	**24.70%**	+/-7.8
18 to 64 years	79,906	+/-2,797	16,012	+/-2,667	**20.00%**	+/-3.3
18 to 34 years	33,349	+/-2,819	10,713	+/-2,315	**32.10%**	+/-6.2
35 to 64 years	46,557	+/-2,747	5,299	+/-1,094	**11.40%**	+/-2.5
60 years and over	26,886	+/-2,363	2,584	+/-872	**9.60%**	+/-3.3
65 years and over	18,033	+/-1,803	1,578	+/-688	**8.80%**	+/-4.0
SEX						
Male	58,157	+/-2,244	10,195	+/-2,506	**17.50%**	+/-4.2
Female	64,944	+/-2,036	13,668	+/-2,738	**21.00%**	+/-4.2
RACE AND HISPANIC OR LATINO ORIGIN						
White alone	74,964	+/-3,573	9,255	+/-2,276	**12.30%**	+/-3.0
Black or African American alone	41,818	+/-3,901	13,989	+/-3,070	**33.50%**	+/-6.6
American Indian and Alaska Native alone	N	N	N	N	**N**	N
Asian alone	N	N	N	N	**N**	N
Native Hawaiian and Other Pacific Islander alone	N	N	N	N	**N**	N
Some other race alone	N	N	N	N	**N**	N
Two or more races	N	N	N	N	**N**	N
Hispanic or Latino origin (of any race)	N	N	N	N	**N**	N
White alone, not Hispanic or Latino	72,686	+/-3,519	8,457	+/-2,003	**11.60%**	+/-2.7

2016 HHS Guidelines: 48 Border States and D.C.[3]

Table 4

Persons in Household	2016 Federal Poverty Level
1	$11,880
2	$16,020
3	$20,160
4	$24,300

[2] American Community Survey (ACS) produced data – based on the 2016 Census Bureau's population estimates.

[3] HHS 2016 Poverty Guidelines for the 48 Contiguous States and the District of Columbia.

Lafayette, LA Rental Housing Trends

According to the Comprehensive Housing Market Analysis (CHMA)[4] - the Lafayette Housing Market Area (HMA) in south-central Louisiana is coterminous with the Lafayette, LA Metropolitan Statistical Area. The HMA consists of Acadia, Iberia, Lafayette, St. Martin, and Vermilion Parishes and is considered a part of *Acadiana*—the center of Cajun culture in Louisiana and the United States. The CHMA reports that the over-all rental apartment market's vacancy rate was approximately 4.9% during the third quarter of 2016. The average rent for an apartment was $844, which showed a 1% gain for the previous year.

The CHMA study reported that there were low levels of multifamily construction from 2012 through 2014, resulting in fewer additions to the apartment supply, in Lafayette, LA. During this same period, the area saw an elevated "in-migration" in population caused by the energy boom; as a result, the areas rental housing vacancy rate declined (from 6.3% in 2012 to 4.8% in 2014).

Nonetheless, beginning in 2015 the Lafayette, LA economy experienced a decline, due to a slowdown in the energy sector, however the number of multifamily units permitted rose. This resulted in a small, albeit, increase in the 2016 vacancy rate to 4.9%. The 2016 CHMA study suggest that the 3-year forecast (i.e. 1/1/2016 – 10/1/2019) estimates a demand for 310 new below market-rate rental units in the city of Lafayette, LA.

Affordable Rental Housing Trends

The Gap: A shortage of affordable Rental Homes[5]

Each year, the National Low-Income Housing Coalition (NLIHC) measures the availability of rental housing affordable to extremely low-income households and other income groups. Based on the American Community Survey Public Use Microdata Sample (ACS PUMS), The Gap presents data on the affordable housing supply and housing cost burdens at the national, state, and metropolitan levels.

Across Louisiana, the Gap study suggest that there is a shortage of rental homes affordable and available to extremely low-income households (ELI), whose incomes are at or below the poverty guideline or 30% of their area median income (AMI). Many of these households are severely cost burdened, spending more than half of their income on housing. Severely cost burdened poor households are more likely than other renters to sacrifice other necessities like healthy food and healthcare to pay the rent, and to experience unstable housing situations like evictions.

According to the organization "Affordable Housing Online"; there are 28 low income housing apartment complexes which contain 2,432 affordable apartments for rent in Lafayette, LA. Many of these rental apartments are income-based housing with about 1,819 apartments that set rent based on income. Often referred to as "HUD apartments", there are 1,101 Project-Based Section 8 subsidized apartments in Lafayette. Additionally, there are 924 other low-income apartments that don't have rental assistance, but are still considered to be affordable housing for low income families, located in Lafayette, LA. Affordable rental housing demands in the Lafayette, LA market is expected to remain steady over the next 3-5 years, as the Lafayette Metropolitan Statistical Area attempts to rebound from a slow economy, related to the energy sector.

The Voorhies Street Multifamily Apartments Project Overview

Plans for the first phase of the Voorhies Street Project (VSP) will include a three unit affordable rental housing building to be located on at the 700 Block of Voorhies Street, Lafayette, LA. The building will consist of three (3) two-bedroom apartments with 1 bath each. Each unit will consist of approximately 970 sq. ft. of living space. The proposed "Total Floor Area Under Roof" is 3,183.25 sq. ft. All area bound by the property is 9,786 and is zoned Residential – Mixed Use. Phase I is schedule to begin construction in mid-June of 2018 and is expected to be completed by December 2018.

The developer, Open Doors Louisiana, Inc., plans to develop two additional three (3) unit affordable rental housing buildings on this and an adjacent site, after stabilization of the Phase I project. The additional planned units will be consistent with the Phase I dimensions.

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[4] Comprehensive Housing Market Analysis - by HUD's Office of Policy Development and Research – Oct. 1, 2016

[5] National Low-Income Housing Coalition – The Gap Survey 2018

The project sponsor (Open Doors Louisiana, Inc.) has a development services agreement with consultants "Le Centre Evangeline Corporation and Housing Development Consultants, LLC" to provide development services to include, coordination of financial resources, insuring the prime contractor and subs are performing, assisting in the initial lease-up and acceptance, monitoring project through acceptance of Certificate of Substantial Completion and the completion of the final punch list, etc.

Proposed Project Budget

The proposed budget for the Voorhies Street project is approximately $605,642, with projected construction hard cost of $348,600.

VOORHIES STREET RENTALS (3 UNIT BUILDING)
PROPOSED DEVELOPMENT BUDGET

SOURCE OF FUNDS	AMOUNT
Bank Financing (The *Evangeline Bank and Trust Co.*)	$225,000
Louisiana Housing Corporation (Soft Second)	400,000
Total Development Sources of Funds	**625,000**

USE OF FUNDS	COST
Land Acquisition	103,000
Building Contract	348,600
Civil Engineer/Infrastructure	6,000
Structural Engineer	4,625
Survey Allowance	1,750
Geotechnical Testing	3,200
Environmental Phase I Allowance	1,900
Planning & Permitting Allowance	1,620
Accounting & Bookkeeping	1,500
Architect Fees: Lump Sum	23,500
Interest during Construction Allowance	16,117
Insurance Allowance	4,000
Bank Loan Origination Fee	4,000
Title Insurance Cost LHC & Bank	2,500
Attorney Fees & Closing Cost	3,500
Organizational Cost	1,000
Audit/Cost Certification	4,500
Supplemental Management Rent-Up	400
Appraisal	4,000
Development Consultant Services	52,500
Hard & Soft Cost Contingency (5% of Build Cost)	17,430
Total	**605,642**
Budget Excess	**$19,358**

Sources of Funding

Financing for the proposed project includes a $400,000 loan commitment from Louisiana Housing Corporation's Nonprofit Open Cycle Affordable Housing Program (NOAH)[6] and a revolving line of credit for construction up to $275,000, from The Evangeline Bank and Trust Company of Ville Platte, LA. The Bank line of credit will be converted to a term loan with a maximum loan amount of $225,000. The NOAH loan will be subordinate to HAC's loan and is subject to repayment out of the project's NOI after primary debt service.

[6] Louisiana Housing Corporation receives funding through HUD's HOME Investment Partnership Program Funds

The project budget projects approximately $225,000 in bank financing. During the construction phase, there will be scheduled draws at a 60/40 percent split between the NOAH and Bank funds for construction hard and soft cost. The projected budget excess will be used for any additional contingencies or required reserves.

NOAH Program

The Louisiana Housing Corporation (LHC) administers federal and state funds through programs designed to advance the development of energy efficient and affordable housing for low and moderate-income families. LCH utilizes HOME Investment Partnerships Program (HOME) funding to fund their Nonprofit Open Cycle Affordable Housing Program (NOAH). Under the noncompetitive "NOAH" program, LHC provides funding for new small housing development projects that are being developed by local non-profit housing developers. Under the current funding round approximately $4.0MM will be made available through the NOAH program, with a maximum award of $400,000 per project.

Eligible Projects Under NOAH

Rental Development - Funds may be used to pay eligible costs associated with the development of permanent multifamily housing. The units may be either new construction or involve acquisition with rehabilitation or reconstruction. The project can have up to four units. Units developed with LHC assistance must meet the following affordability requirements:

1. Rent for assisted units must not exceed thirty percent of the adjusted income of a family whose annual income equals or is less than sixty-five percent of the area median income as determined by HUD, adjusted by bedroom size. HUD provides annual HOME rent limits that include average occupancy per bedroom and adjusted income assumptions. For purposes of the NOAH Program, HOME rent limits and requirements will be used for all HOME Funds-assisted units.

2. Project based vouchers (PBV) may be awarded to projects that have one-bedroom units available to serve households in need of permanent supportive housing (PSH). In addition to the unit size the project must be close to public transportation and health care. No more than twenty five percent of the units in a project can be set aside for PSH PBVs. Projects that request PBVs will be reviewed by the PSH Executive Management Counsel and the with PSH/PBV waiting list to ensure the project is in a location where services are accessible and people in need of PSH want to live.

HOME funds provided to rental housing development activity will be in the form of a soft cash flow loan payable from Surplus Cash from rental operations. HOME Funds will accrue interest at a rate not exceeding the long-term applicable federal rate (AFR) and will be payable from not less than 50% of Surplus Cash so that at the end of the term of the hard first Mortgage Note the unpaid balance of the HOME soft cash flow loan will not exceed 80% of the residual value of the project[7].

Repayment

The primary source of repayment of the HAC proposed financing will come from the rental income of the Voorhies Street Apartment project. Repayment of the HAC loan will begin after full lease up or 3 months after receipt of the building's Certificate of Occupancy. The average per month rents are projected to be $843 per unit; however, the use of HOME program funding requires the property owner to provide a monthly "Utility Allowance". Using HUD guidelines, LHC has determine the monthly Utility Allowance for this region is $163. The following table projects the first-year revenue, expenses, and debt service for the proposed:

[7] Louisiana Housing Corporation 2018 Winter NOFA (Release Date: Feb. 9, 2018)

Units Serving Households Below 80% AMI

Residential Income				Year 1
Type of Unit	Avg S.F.	Units	Unit/Mo.	
High HOME Rent- Two Bedroom (*Max 2% annual increases*)[8]	970	3	$843	$30,348
Less: Utility Allowance		3	$163	(5,868)
Total Residential Income				$24,480
Vacancy				
Vacancy Rate at 4.9% (*based on Lafayette Parish data*)				(1,200)
Net Effective Revenue (Year-One)				$23,280
Operating Expenses				
Administrative				
Advertising & Marketing				(250)
Management Fee (5%)				(1,164)
Total Administrative				($1,414)
Maintenance				
Grounds				(600)
Exterminating				(360)
Total Maintenance				($960)
Taxes & Insurance				
Insurance				(2,500)
Total Taxes & Insurance				($2,500)
Total Annual Operating Expense				($4,874)
NOI - Before Reserves and Debt Service				$18,406
Reserves				
Replacement (Annual Required $300/unit)				(900)
Cash Flow After Replacement Reserves				$17,506
Annual Debt Service (Payment)				
HAC RHLF Loan ($240,000, N=30, R=4.75)				(15,023)
Cash Flow After Debt service				$2,483
Debt Service Coverage				1.17:1.0

The projected "year-one" net operating income, before mandated operating reserves and calculated debt service, is $18,408. The pro forma indicates that the leased-up property will be generate significant enough cash flow to support the proposed debt service. The resulting Debt Service Coverage is 1.17:1.0.

Reserves for Replacement

The NOAH Program requires the establishment of a "special reserve" for each project to fund the cost of replacement and repairs to the real property. The minimum amount of reserves allowed is $300 per unit per year.

Although the project is "new construction" the underwriter feels that the minimum reserves required by the NOAH program may not be sufficient in the case of unforeseen issues. As a result, the proposed HAC loan is approximately $15,000 (6.67%) more than the amount needed to refinance the projected bank debt (used for construction).

Nonetheless, most of the excess funding will be restricted and used as reserves for the first 3-5 years of the project.

[8] The NOAH Program will allow annual rent increases up to 2%.

Collateral

HAC's loan will be secured by two parcels of developed land totaling approximately 14,766 sq. ft., with a completed 3,100 sq. ft. multifamily rental building, located on Voorhies Street, Lafayette, LA. The multifamily rental building will be containing 3 – 2 bedroom, 1 bath rental units with approximately 970 sq. ft. per unit.

HAC will maintain a blanket lien of the assets of Open Doors Louisiana, Inc through a UCC-1 filing. An appraisal will be required with the LTV (primary debt) of the completed project not to exceed 90% (HAC's policy is 100%). Using a CAP rate of 6.5% (Per CRBE North American Cap Rate Survey) and the projected NOI, before reserves and debt service, of $18,406, the calculated value of the property (based on income) will be $283,169.

Property Management

The project sponsor has signed a contract with the property management firm, Kennedy Management Company of Lafayette, LA. This firm is experienced in managing apartment complexes financed and/or subsidized through HUD, USDA-RD, and the Louisiana Housing Corporation. Their program experience includes; Sect. 8, Sect. 811 (Project Rental Assist) and 202 (Supportive Housing for Elderly), Sect. 236 (Preservation), RD Sect. 515, as well as the Louisiana Housing Trust Fund and HOME Funds.

Financial Statements (12/31 Fiscal Year)

For the fiscal year ending 12/31/2016 Open Doors Louisiana did not produce gross receipts of more than $50,000. As a result, and according to IRS, the organization filed Form 990N, Electronic Notice for Tax-Exempt Organizations.

Internal Financial Statements

As of 12/31/2017 Open Doors Louisiana reports gross income of $23,149 including $15,149 in grant revenue. Expenses total approximately $9,257 with Net Income of $13,042.

The organization has assets totaling $421,401, with $400,000 in Grants Receivable (LHC NOAH Grant). Liabilities totaled $408,53, with $23,507 in recoverable grants. Open Doors Louisiana's net assets were $13,042 at FYE 2017.

Risks

- The organization has a short history in existence.
- The proposed debt will not fully amortize before the maturity of the loan.
- Borrower does not have current cash flow to service the proposed debt.
- Borrower does not have extensive property management experience.

Strengths/Mitigants

- HOME funds will be subordinate to HAC's debt.
- Projected cash flow will support the proposed HAC debt at 1:17:1.0.
- Significant demand for affordable housing in the region.
- Regional vacancy rate at 4.9% for rental housing.
- The economy in the region is improving.
- HAC's debt would refinance the construction debt after the project is completed.

Recommendation

Staff recommends approval of a term loan up to $240,000 to Open Doors Louisiana, Inc. based on the target market and the need for affordable rental housing in the region. Funding for the proposed project will be subject to the following conditions:

1. Completion of the project with all inspections completed to include a Certificate of Occupancy.
2. The subject property must comply with all Louisiana Housing Corporation and HUD HOME Funds requirements.
3. The property serves individuals and/or families at 80% of the AMI for Lafayette Parish, LA.