

Mountain Housing Opportunities' Recovery Starts at Home

RFP for Coronavirus State and Local Fiscal Recovery Funds

Mountain Housing Opportunities, Inc.

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Application Form

Question Group

Buncombe County requests proposals for projects to help the community recover from and respond to COVID-19 and its negative economic impacts.

Buncombe County has been awarded \$50,733,290 in Coronavirus State and Local Fiscal Recovery Funds (Recovery Funding), as part of the American Rescue Plan Act. This infusion of federal resources is intended to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery.

Buncombe County is committed to investing these funds in projects that:

- Align to county strategic plan and community priorities
- Support equitable outcomes for most impacted populations
- Leverage and align with other governmental funding sources
- Make best use of this one-time infusion of resources
- Have a lasting impact

Proposals shall be submitted in accordance with the terms and conditions of this RFP and any addenda issued hereto.

[Click here for the full terms and conditions of the RFP](#)

Coronavirus State and Local Fiscal Recovery Funds*

Name of Project.

Mountain Housing Opportunities' Recovery Starts at Home

Amount of Funds Requested*

\$8,554,050.00

Recovery Fund Eligible Category*

Please select one:

Services for disproportionately impacted communities

Brief Project Description*

Provide a short summary of your proposed project.

MHO's Recovery Starts at Home project offers the singular opportunity for construction of 230 units of new affordable rental housing to help our community recover from the devastation brought by COVID-19. MHO is a local non-profit developer with a proven track record of quality and a commitment to tenant wellbeing. Recovery Starts at Home will serve a variety of household sizes and will encompass a range of

affordable rents servicing from below 30% of the area median income to a maximum of 80%. Average affordability across all units is 58% and all 230 units will accept Section 8 vouchers.

The intention of this project is to quickly create a large number of much-needed affordable housing units by leveraging ARPA funds as gap funding for the 4% LIHTC credit. A significant award of ARPA funds would enable us to start construction without years of delays awaiting funding, and helps put Buncombe County 230 units closer to recovering from the devastating effects of COVID-19.

Project Plan*

Explain how the project will be structured and implemented, including timeframe.

MHO has secured site control with purchase options on 2 properties to comprise this project: Lakeshore Villas at 99999 Heywood Rd and Pentland Hills at 10 Pentland Hills Dr. Each site was chosen with emphasis on proximity to amenities such as public transportation routes, quality public schools, and access to fresh foods to ensure housing in areas that promote equitable avenues for upward mobility, with tenants being able to fully participate in Buncombe's community. Most importantly, both sites already possess full schematic architectural plans, municipal zoning approvals, and preliminary scoring confirmation from the North Carolina Housing Finance Agency.

As mentioned previously, the main financial structure of the 230 units hinges upon the shared utilization of 4% LIHTC and tax exempt bonds for partial financing. The 4% credit is a non-competitive resource, but as of yet has been underutilized at the state level in part due to larger financial gaps. ARPA funds offer an unprecedented opportunity to leverage 4% LIHTC with two shovel-ready sites to make an immediate impact with lasting benefits. To further leverage Buncombe's ARPA allocation, this project would also qualify for Dogwood Health Trust's ARPA Advantage affordable housing grants. Both properties included in this proposal have been previously reviewed and supported by DHT's investment committee during the 9% tax credit application cycle in May.

In addition to capitalizing upon the 4% credit, financial strategy was centered around leveraging funds in the project as much as possible through traditional permanent debt. We have maximized the amount of our permanent loan to debt capacity, and in doing so have generated the smallest subsidy gap possible in order to be good stewards of public funds. The amount of our ask to recovery funds reflects the remaining subsidy amount under this strategy. This money would be a one-time capital infusion, with the ability to be absolutely catalytic without additional funding needs in years to come. Once built, all of MHO's properties are self-sustaining from operating costs.

Anticipated timeline is as follows:

Complete: zoning approval, preliminary due diligence

Ongoing: Preparing for submission of noncompetitive 4% LIHTC pre-application to NCHFA

Late September 2021: submission of 4% LIHTC pre-application

Early 2022: submission of full 4% LIHTC application

Fall 2022: Construction Start

Spring 2024: Construction Complete

Summer 2024: 100% Occupancy

We recognize the significant request we are making in this proposal, and have sought to propose a financial model based on the idea that rapid deployment is key to a swift recovery. Discussion of the amount of request is expected and welcome, however a lesser amount would alter viability of the project in this form. We would only be able to move forward with the project after sourcing additional funding with a delayed timeline, or move forward with lesser units than the desired 230.

Statement of Need*

Describe the need that this project will address. Include data to demonstrate the need, and cite the source of the data.

To know Buncombe Co. is to know our area has an immense shortage of housing affordable to those who live and work here and make up our community. To put numbers to this need, The Bowen Report estimates 46% of Buncombe renters are cost burdened (paying over 30% of income on rent) while 19% are severely burdened (paying over 50%).(1) Furthermore, 10.5% of all Buncombe rental units are “substandard” with over 80% being due to overcrowded units resulting from availability and affordability issues. To confirm this, one needs to look no further than the fact that in 2019 the vacancy rate for units affordable to low and moderate income families was 0%. (2)

What is more is these statistics come from data garnered BEFORE the impacts of COVID-19. 36,000 jobs were lost in Buncombe Co. from March to April 2020, corresponding to 18% of our labor force.(3) During this crisis, low-income families, particularly renters, suffered most heavily in terms of COVID-induced cost burdens. Low-income earners were more likely to be laid off or report reduced earnings as low wage jobs are disproportionately hourly services and less likely to be able to transition to remote work. Eviction protection and rental assistance helped to quell evictions in the short term, but have done little to address other areas of increased economic precariousness tied to living costs, of which housing is a major part. Studies conducted on samples of benefit-eligible Americans show that instances of food insecurity and debt accrual increased significantly during the pandemic.(4) This demonstrates that economic hardship still tangibly plagues low-income households despite eviction prevention. As assistance dries up, renters will be facing added economic strain in conjunction with returning rent cost burdens due to the endemic shortage of affordable housing. In short, COVID has highlighted and exacerbated the need for greater supply of affordable housing in Buncombe to ensure citizens can meet their living costs.

Link to COVID-19*

Identify a health or economic harm resulting from or exacerbated by the public health emergency, describe the nature and extent of that harm, and explain how the use of this funding would address such harm.

The augment of economic hardship incurred during the COVID pandemic clearly is a striking concern. However, rather than creating new phenomena, COVID inflamed the economic disparities baked into our system that can only be corrected through major strategic intervention. Among populations hit hardest by job loss in Buncombe were the Hispanic and Latino minority populations. The rate of Latino unemployment ballooned from being within 1% higher of white unemployment to upwards of 5% at the peak of COVID-induced layoffs. However, perhaps more alarming is that job recovery for all minorities, specifically the Black population, lagged significantly behind the re-employment of white counterparts.(3) These trends show that greater prolonged hardship has been experienced by Buncombe Co. minorities, increasing the economic inequalities already inherent in our system. Moreover, these local trends act in parallel to national data confirming low-wage workers across the board were impacted disproportionately.(5)

Clearly, COVID-19 induced wage loss and economic disruption has not only exacerbated financial instability for our most vulnerable, but highlighted deep-seeded issues that existed beforehand. Therefore, rather than short-term, patch solutions, long term solutions that facilitate economic resilience are crucial in recovery. In this vein, quality affordable housing is perhaps the most holistic approach in addressing greater social equity. It is an obvious link that when workers are forced to overspend large proportions of their income on housing compared to higher earners, it reduces savings opportunities, disposable income, ability to purchase health care, ability to invest in their children’s futures, capacity to weather future economic downturns, and most importantly upward mobility. To this end, investment in affordable housing should not

be seen as merely a material investment in housing supply, but as an investment in the foundations of broader public prosperity.

Population Served*

Define the population to be served by this project, including volume and demographic characteristics of those served.

This one-time capital project will create generational impact in the form of 230 new affordable units. The units will remain affordable for a minimum of 30 years, becoming home to an estimated 1,500 households (or 2,800 individuals) over the initial affordability period. We are open to extending affordability beyond 30 years if final project financials make such a commitment possible.

A mix of 1, 2, and 3 bedrooms with a range of affordabilities from below 30% to 80% AMI provides opportunity to serve many household types. Under this strategy, our existing tenants reflect a variety of lifestyles including formerly homeless veterans, single-parent households, elderly and/or disabled adults, to the nuclear family. Current data from new tenant surveys across our portfolio reports ~20% of incoming renters identify as being homeless in their previous living situation. This means 46 of the 230 new units are estimated to be occupied by those previously houseless. Each unit will also accept Section 8. A shortage of landlords who accept Section 8 in Buncombe has left many voucher holders unable to find housing, a problem we aim to help correct.

Many of our renters work in hospitality, healthcare, education, and manufacturing. In short, our renters are the frontline essential workforce. They work in sectors and live in communities hit hardest by COVID. Nation-wide, the hospitality workforce is disproportionately low-income, younger, and non-white, all of which combine to mean that they are less likely to have emergency savings.(6) In Buncombe, Leisure & Hospitality was cited as the hardest hit sector, representing over half of area jobs lost, and has lagged behind other sectors' recovery.(3) Visitors have returned to Buncombe, but broader impacts have continued to ripple through households that depend on wages from the hospitality sector. New affordable housing is a key component of stabilizing Buncombe's essential workforce that already comprise a number of our tenants.

Results*

Describe the proposed impact of the project. List at least 3 performance measures that will be tracked and reported. If possible, include baselines and goals for each performance measure.

1. Household wealth creation. From the Harvard Joint Center for Housing's 2020 State of the Nation's Housing Report: "Data from the 2018 Consumer Expenditure Survey show that unburdened households in the bottom expenditure quartile (a proxy for lower income) were able to spend 19 percent more each month on non-housing needs than moderately cost burdened households and 52 percent more than severely cost burdened households."(7) We will track the average household savings of each of the 230 affordable housing units that we create, compared against median rents for the area, and report this information annually.

2. Job Creation. Developing 230 LIHTC units on two separate properties in Buncombe Co. would create an estimated 340 direct and indirect construction jobs, induce the creation of 96 additional jobs from locally earned wages, and create 69 permanent, local jobs from the induced effects of tenant spending.(8,9) We will report actual construction jobs created, and make all temporary and permanent local hiring opportunities available to low-income, minority, and women-owned businesses.

3. Improve Health and Wellbeing. The World Health Organization in their 2018 Housing and Health guidelines cites housing as an important tool to "save lives, prevent disease, increase quality of life, reduce poverty, and help mitigate climate change."(10) The COVID-19 pandemic underscored the need to consider a health-centered approach to designing multi-family buildings. We will build all 230 apartments to the

healthy ventilation specifications of ASHRAE 62.2 for enhanced indoor air quality. This national standard provides enhanced ventilation which as we have learned from the COVID-19 pandemic, is essential to reducing the transmissibility of airborne diseases. We will seek out additional national standards and best practices for building healthy indoor air quality.

Evaluation*

Describe the data collection, analysis, and quality assurance measures you will use to assure ongoing, effective tracking of contract requirements and outcomes.

To evaluate the impacts of new affordable housing production, we will collect data to assess each of the 3 proposed impacts listed above.

We will track the average household savings of each of the 230 affordable housing units that we create, compared against median rents for the area, and report this information annually.

We will track jobs created, and coordinate with local resources such as AB Tech, Asheville Housing Authority, and Green Opportunities to make opportunities available to MWBE and Section 3 qualified workers. We will include benchmark goals for local subcontractor hiring in our construction contracts and continually assess opportunities to meet or exceed our goals.

We will survey families at move-in and after 1 year of occupancy in order to assess any improvements in health and wellbeing as a direct result of their new housing. We will partner with a public health worker to survey new residents to assess general prevalence of baseline health conditions impacted by living conditions (i.e. asthma), offer resident services programming targeted to improve these health conditions, and conduct follow up surveys after 1 year of occupancy to report any changes in resident health that have resulted from a change in living situation and resident health programming.

Equity Impact*

How will this effort help build toward a just, equitable, and sustainable COVID-19 recovery? How are the root causes and/or disproportionate impacts of inequities addressed?

The COVID-19 pandemic exacerbated existing social, racial, and economic inequities across the country. Of the many factors cited by the CDC as underlying the disproportionate impacts of COVID-19 on low-income communities of color, availability of affordable housing is a key indicator. "Crowded living conditions and unstable housing contribute to transmission of infectious diseases and can hinder COVID-19 prevention strategies like hygiene measures, self-isolation, or self-quarantine."(11)

Our proposal is based on the premise that well-located affordable housing - housing near jobs, school, recreational activities, and served by public transportation - is one of the strongest ways to address the root causes of the inequitable impacts of COVID-19. Harvard Professor Raj Chetty has demonstrated that generational economic mobility is strongly correlated with the poverty rate in which someone is raised, meaning one's zip code is strongly predictive of one's educational attainment and future earning potential.(12) Affordable housing in areas of opportunity provides places for low-income families to stabilize, build a support network, and thrive. To further our impact reach, we will develop Affirmative Fair Housing Marketing Plans to broaden outreach to underserved and minority communities who may not otherwise be aware of the affordable housing options we are providing.

As an additional initiative we are taking to build towards a just, equitable COVID-19 recovery, we have adopted the policy of eliminating credit checks for voucher holders. We are also continually assessing and

adjusting criminal screening criteria with the goal of reducing disproportionate impacts of credit and criminal screening on applicants of color.

Project Partners*

Identify any subcontractors you intend to use for the proposed scope of work. For each subcontractor listed, indicate:

- 1.) What products and/or services are to be supplied by that subcontractor and;
- 2.) What percentage of the overall scope of work that subcontractor will perform.

Also, list non-funded key partners critical to project.

As the primary applicant and real estate developer, MHO proposes to manage 100% of the scope of work completed under this proposal. We will, of course, complete this effort in close collaboration with a team of regular partners, including WeaverCooke Construction and Partnership Property Management.

Recovery efforts are familiar territory for our construction partner, WeaverCooke, who will manage the construction of our proposed developments. WeaverCooke was founded in 1939 to help rebuild after the Great Depression and World War II. With a current staff of 110 (including 25 in Buncombe Co.), WeaverCooke has constructed 20,000 units of multi-family housing in its history, including 1,000 new units in Buncombe Co. Partnership Property Management specializes in affordable housing property management, and manages MHO's entire rental portfolio. MHO is engaged in an ongoing collaboration with Homeward Bound and Partnership Property Management to make our affordable apartments more readily available to formerly homeless individuals. We have met with HB and PPM and are currently streamlining the application process, and identifying opportunities for MHO and PPM to make use of HB's robust landlord financial incentives and tenant support services.

When the COVID-19 pandemic hit, we relied on our deep partnership with WeaverCooke and Partnership Property Management to maintain the health and safety of our construction job sites as well as to address the immediate needs of our residents. MHO worked with PPM to mobilize a coordinated response effort, centered on meeting immediate needs of our tenants (food assistance, rental assistance, etc). MHO, WeaverCooke, and PPM have successfully partnered to develop and manage over 500 units of affordable housing in Buncombe Co. Our team knows how to work together seamlessly to create positive, lasting community impacts and help strengthen Buncombe County's recovery effort.

Capacity*

Describe the background, experience, and capabilities of your organization or department as it relates to capacity for delivering the proposed project and managing federal funds.

MHO has utilized a wide variety of financing structures in pursuit of our mission to build affordable housing, including a combination of local, state, and federal funds as well as privately-sourced funds. We have successfully utilized federal HOME and CDBG funds, HUD Section 4 Capacity Building grants, a HUD 221(d)4 loan, and worked with a variety of federally-funded voucher programs. MHO has successfully completed every Low-Income Housing Tax Credit development that we have been awarded, totaling fourteen 9% LIHTC developments and one 4% LIHTC development. MHO's Rental Development team is comprised of 6 people with decades of experience and a variety of backgrounds including sustainable real estate development, community and economic development, social work, and architecture.

Budget*

Provide a detailed project budget including all proposed project revenues and expenditures, including explanations and methodology. For all revenue sources, list the funder and denote whether funds are confirmed or pending. For project expenses, denote all capital vs. operating costs, and reflect which specific expenses are proposed to be funded with one-time Buncombe County Recovery Funds.

Download a copy of the budget form [HERE](#). Complete the form, and upload it using the button below.

MHO Recovery Starts at Home Recovery-Funds-budget-template (1).xlsx

Special Considerations*

Provide any other information that might assist the County in its selection.

Recovery Act Property Overviews.pdf

Sources:

1. Bowen, Patrick. "Asheville, North Carolina Region Housing Needs Assessment." Bowen National Research. March 10, 2020.
2. Bowen, Patrick. "Asheville, North Carolina Regional Housing Needs Assessment." Presented By: Patrick M. Bowen to City of Asheville. March 2020.
3. Mau, Rusty. "Economic Overview: Follow Up" Presented By: Rusty Mau to Buncombe County Board of Commissioners. January 2021.
4. Enriquez, Diana; Goldstein, Adam. "COVID-19's Socioeconomic Impact on Low-Income Benefit Recipients: Early Evidence from Tracking Surveys." Princeton University. November, 2020.
5. Zonta, Michela. "Expanding the Supply of Affordable Housing for Low-Wage Workers." Center for American Progress. August 10, 2020.
6. Carmody, Kody; Herrick, Austin. "The Demographics of the Coronavirus Crisis: Impacts at the Front Line of the 'Leisure and Hospitality' Sector." Penn Wharton University of Pennsylvania. March 19, 2020.
7. Joint Center For Housing Studies of Harvard University. "The State of the Nation's Housing 2020" Harvard Graduate School of Design, Harvard Kennedy School. 2020.
8. Lee, Chris. Email Correspondence Re: Construction Jobs Estimate for Funding Application. WEAVERCOOKE Construction. July 9, 2021.
9. National Association of Builders. "The Economic Impact of Home Building in a Typical Local Area: Income, Jobs, and Taxes Generated." Housing Policy Department. April, 2015.
10. "World Health Organization Housing and Health Guidelines." World Health Organization. November, 2018.
11. "Increased Risk Factors for Exposure: Racial and Ethnic Health Disparities." Centers for Disease Control and Prevention. December 10, 2020.
12. Chetty, Raj; Hendren, Nathaniel. "The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects." December, 2017.

File Attachment Summary

Applicant File Uploads

- MHO Recovery Starts at Home Recovery-Funds-budget-template (1).xlsx
- Recovery Act Property Overviews.pdf

Coronavirus State and Local Fiscal Recovery Funds Proposed Project Budget

Organization Name:	Mountain Housing Opportunities
Project Name:	4% LIHTC Housing Package
Amount Requested:	\$8,554,050

Proposed Project Revenue Funder	Amount	Confirmed or Pending?	Notes
Proposed Buncombe COVID Recovery Funds	\$ 8,554,050.00	Pending	
Federal 4% LIHTC Equity	\$ 14,598,192.00	Pending	4% LIHTC Funds are non-competitive and guaranteed with the issuance of bonds and compliance of project rent levels. Upon applying for 4% LIHTC funds in October, funds are expected to be confirmed according to the NCHFA timeline.
Permanent Financing Loan Lakeshore Villas	\$ 8,793,517.00	Pending	Projects have been positioned to ask for the maximum amount of permanent financing allowable, based on outlined underwriting criteria, in order to minimize remaining funds needed.
Permanent Financing Loan Pentland Hills	\$ 8,101,461.00	Pending	Projects have been positioned to ask for the maximum amount of permanent financing allowable, based on outlined underwriting criteria, in order to minimize remaining funds needed.
Buncombe County Affordable Housing Services Program Funds	\$ 800,000.00	Pending	Buncombe County Board of Commissioners voted with staff recommendation to approve \$800,000 in funds to Lakeshore Villas, contingent upon award of 9% LIHTC Credits. If not awarded 9% credits, we will seek to transfer funds to the 4% package. Terms of these funds are still under negotiation.
List other sources here			
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Total	\$ 40,847,220.00		

Proposed Project Expenses	Proposed Recovery Funds	Other Funds	Total	Capital or Operating Expense?	Notes
Hard Costs	\$ 6,054,050.00	\$ 25,264,019.00	\$ 31,318,069.00	Capital	On-site Improvements, Building Construction, Contractor/Engineer/Architect Fees. Hard costs are the largest cost and often the most difficult gap to fill in affordable new construction projects, making this line item a vital stress point in project financing. Cost and financing issues have been further and significantly exacerbated by the soaring lumber and materials prices due to shortages from COVID-19.
Financing & Due Diligence		\$ 1,316,772.00	\$ 1,316,772.00	Capital	
Legal & Compliance		\$ 917,369.00	\$ 917,369.00	Capital	Attorney Fees, Tax Credit Allocation Fees, Organizational Fees
Soft Costs		\$ 3,255,000.00	\$ 3,255,000.00	Capital	Permitting, Office, Property Management, FF&E, Playgrounds, Developer Fee, Misc.
			\$ -	Capital	
Acquisition	\$ 2,500,000.00	\$ -	\$ 2,500,000.00	Capital	ACQUISITION OF LAND IS ONE OF THE PRINCIPAL, MOST CRUCIAL NEEDS IN PROJECT FUNDING. The ability to purchase and hold land helps ensure a more material future rather than an unconfirmed prospect for affordable projects, even as other funding may be assembling.
Reserves		\$ 1,126,037.00	\$ 1,126,037.00	Capital	Rent-up & Operating reserves as required by NCHFA
Bond Costs		\$ 413,973.00	\$ 413,973.00	Capital	
List expenses here			\$ -		

Pentland Place

10 Pentland Hills Drive
Asheville, NC



Ingles Grocery

Public School Systems

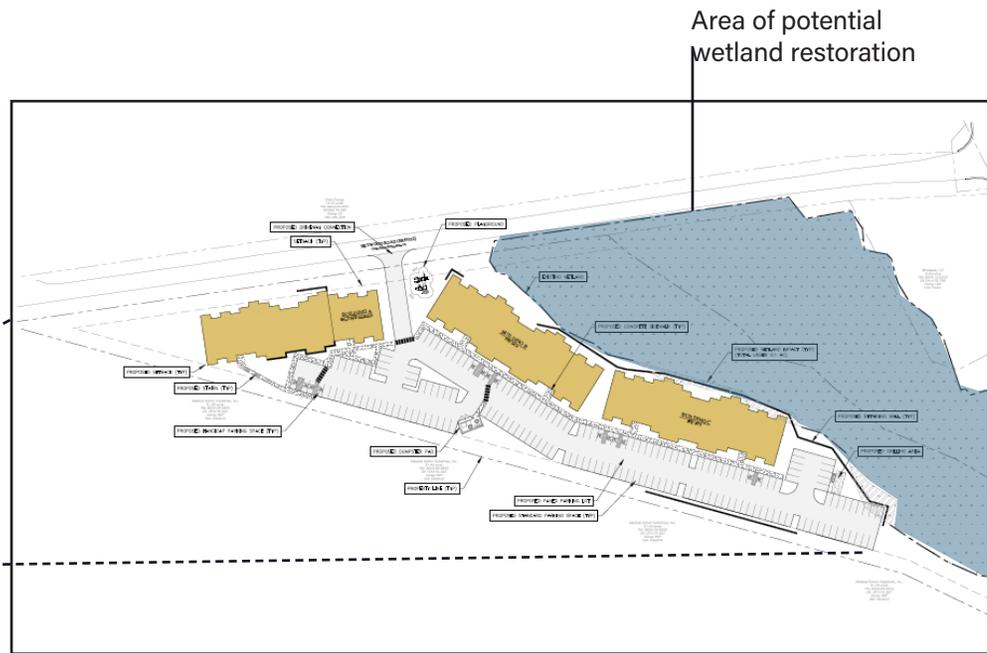
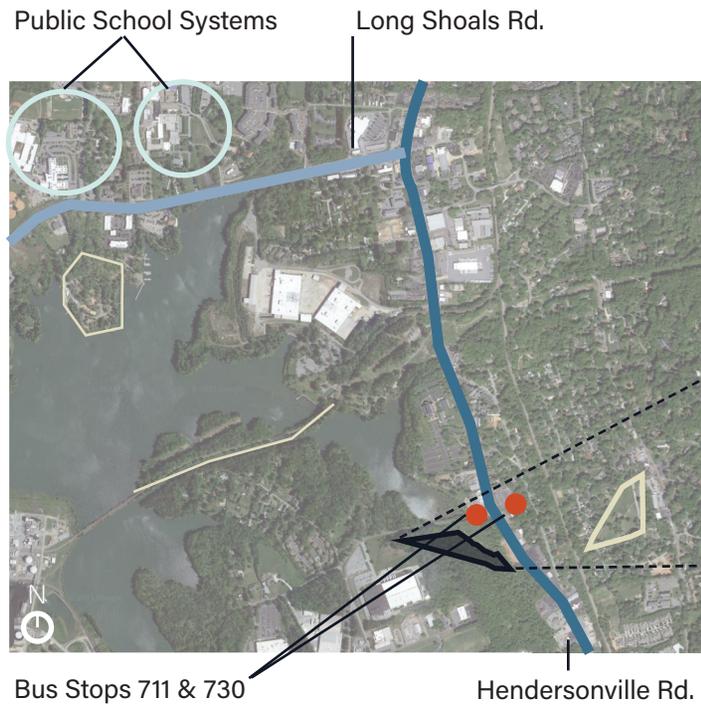


New Leicester Highway

Bus Stop 118 at Walgreens

Lakeshore Villas

9999 Heywood Rd.
Arden, NC



 - Parks & Greenways