Affordable Housing at Lakeshore Villas and Pentland Hills (Previously: 4%LIHTC Lakeshore Villas)

RFP for Coronavirus State and Local Fiscal Recovery Funds

Mountain Housing Opportunities, Inc
Robert Scott Dedman
64 Clingman Av, Suite 101
Asheville, NC 28801

Joe Quinlan
64 Clingman Av, Suite 101
Asheville, NC 28801
joe@mtnhousing.org
O: 828 254-4030
M: 828 776-1918
F: 828 254-0124
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. To date, Buncombe County has awarded projects totaling $23,093,499, leaving a balance of $27,639,791 available to award. Visit [http://www.buncombecounty.org/recoveryfunding](http://www.buncombecounty.org/recoveryfunding) for details.

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 hereeto.

Click here for the full terms and conditions of the RFP

**Organization Type**

Nonprofit

**Nonprofit documentation**

If nonprofit, attach IRS Determination Letter or other proof of nonprofit status.

501(c)3 Letter.pdf

**Name of Project**

Affordable Housing at Lakeshore Villas and Pentland Hills (Previously: 4%LIHTC Lakeshore Villas)
New/Updated Proposal*
Is this a new project proposal or an updated version of a proposal submitted during the earlier (July 2021) Recovery Funding RFP?

Updated version of previously submitted proposal

Amount of Funds Requested*
$3,000,000.00

Category*
Please select one:
- Affordable Housing
- Aging/Other Adults
- Business Support/Economic Development
- Environmental/Climate
- Homelessness
- K-12 Education
- Infrastructure and/or Broadband
- Mental Health/Substance Use
- NC Pre-K Expansion
- Workforce

Affordable Housing

Brief Project Description*
Provide a short summary of your proposed project.

MHO is asking for a total of $3,000,000 for a two-pronged approach to the affordable housing crisis in Buncombe County. We are asking for $2,000,000 to support a new affordable rental development at 9999 Heywood Rd in Arden (Lakeshore Villas), which will provide 120 affordable rental units. We are also asking for $1,000,000 to support a new affordable homeownership development at 10 Pentland Hills Dr in Leicester, which will provide a mix of 36 single-family homes and 32 duplex units, for a total of 68 new units (at least 40 affordable).

Both sites were included in our original 1st round ARPA application. The plan for the Lakeshore Villas portion of this project is unchanged from our previous application request. Pentland Hills however, has changed. We have moved it out of our affordable rental pipeline and into affordable homeownership; therefore, the majority of this application will focus on Pentland Hills. Please refer to our previous application for details concerning Lakeshore.
Project Plan

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

Lakeshore Villas remains on schedule to leverage the non-competitive 4% LIHTC program for creation of units, hinging only on attainment of sufficient gap funding for the May 13th, 2022 final application deadline. Because of the non-competitive nature of the 4% program Lakeshore Villas has already completed its pre-development and due diligence in full, has successfully completed the preliminary NCHFA 2022 tax credit application, and has expedited architectural schematic planning so that the project can move forward as soon as full funding is attained. This makes Lakeshore a singular opportunity to invest in virtually guaranteed affordable housing. The timeline and schedule under this strategy remains as follows:

- Complete: Due diligence, pre-development, preliminary 2022 LIHTC Application
- 5/13/2022 - Final LIHTC Application due, funding commitment letters required
- August 2022 - Tax Credit Award Confirmed
- April 2023 - Plans submitted for permitting
- August 2023 - Financial Closing and Construction Begins
- Fall 2024 - Construction Complete, Lease Up

At Pentland Hills, we will develop the 11-acre site with significant upgrades to and an extension of the road currently accessing the site. We will also be extending public water and sewer lines into the site and building all required stormwater infrastructure. Once infrastructure improvements are complete, we will begin construction of the homes. MHO plans to purchase the property at the end of April 2022, using short-term financing. If MHO is awarded ARPA funds for this project, $750,000 will go toward replacing that short-term financing. The remaining $250,000 will go toward the infrastructure improvements. With the land unencumbered and with some funds already committed to the development, we will approach an Asheville-area bank for the remaining development funds that we will need. Once the lots are buildable, their increased asset value will allow us to acquire construction financing. This is the financial model we used to develop Lillie Farm Cove in Weaverville, a recently completed 46-home subdivision.

Timeline for Pentland Hills:
- April 2022 - purchase property
- May 2022 thru December 2022 - zoning approval
- March 2023 thru August 2023 - infrastructure improvements
- September 2023 thru August 2025 - build the homes (homes to be built in 4 phases, with each group of 17 homes to be on the market every 6 months)

Statement of Need

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

Lakeshore Villas and Pentland Hills combined will help to address the ever-increasing need for affordable housing in our area. In addition, Pentland Hills, by providing homeownership opportunities to low-income families, will help to address the “wealth gap” that exists not just in Buncombe County but throughout our economy.

According to Frank Muraca, writing for the UNC School of Government (https://ced.sog.unc.edu/2022/01/what-we-know-about-covids-impact-on-affordable-housing-so-far/), 42% of low-income households in NC were cost-burdened by housing - before COVID. This means that these families were spending 30% or more of their total income just for housing. For households below 50% AMI, the numbers were even worse. Fully 66% of those families were cost burdened by housing. And, once again, this was before COVID.
For a full discussion of the existence of the wealth gap in our economy and the positive impact that affordable housing can have to reduce this gap, please see Jenny Schuetz’s article posted on the website of the Brookings Institution (https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap/).

**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 link between affordable housing and the COVID-19 pandemic can be evidenced by the fact that Buncombe County has included affordable housing as one of its ARPA funding categories. Returning to the UNC School of Government article cited above, Muraca shows that the economic harm resulting from COVID was extreme. As a result of COVID, unemployment in North Carolina rose to 14%, even worse than it was during the 2008 downturn. Rents increased throughout NC, with the largest increase occurring in Asheville (a 40% increase in Asheville as opposed to the next largest metro-area increase, which was 34% in Wake Forest). Muraca makes the case that each of these changes impacted low-income families hardest.

Home prices in the Asheville area have similarly soared. According to Redfin.com, the median cost of a home in the Asheville area in January 2020, just as COVID was beginning to spread, was $312,000. Now, two years into the pandemic, the median cost has risen to $406,250 - over a 30% increase. This trend continues to put homeownership further and further out of reach of low-income families.

**Population Served**

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

At Lakeshore Villas, the population served will be Buncombe County renters who are earning from below 30% AMI to 80% AMI. 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 that 24 of the 120 new rental units are estimated to be occupied by those previously homeless.

At Pentland Hills, the population served for our affordable units will be Buncombe County families who are earning below 80% AMI. Since Pentland Hills is in a USDA-eligible area, many of our low-income homebuyers will be using USDA’s Section 502 loans for their primary mortgage. USDA also requires that a qualifying family be first-time homebuyers - or can demonstrate that they do not currently live in adequate housing (so that a family who owns, for instance, a dilapidated trailer could still qualify).

Some of the homes at Pentland Hills will be listed and sold without income restrictions. We do this so that the neighborhood we create will be seen as a mixed-income neighborhood, not solely low-income. We also make use of the money earned on the unrestricted sales to provide soft-second financing to low-income families who need additional help in purchasing their homes. (More on this below.)

**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.

For both projects, there will be an impact to the local economy since each project, while under construction, will generate jobs and local spending. Even more importantly, each project will provide safe, well-constructed, affordable housing in areas close to jobs and shopping and other amenities for 120 renters.
and 68 homebuyers in Buncombe County. A 3rd impact of each project is that all rental and homeownership units will be built to Energy Star standards. More energy-efficient housing helps us all in the fight against global warming.

Specific to Lakeshore Villas, performance measures to be tracked will be household wealth creation, job creation, and improved health & wellbeing. For more details, please see MHO’s 1st round ARPA application.

Specific to Pentland Hills, the measures of success will boil down to 3 things: 1) did we build all the homes we set out to build, 2) were all the units identified as affordable actually sold to qualifying low-income families, and 3) did all the homes meet Energy Star standards.

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

For data collection methods at Lakeshore Villas, please see MHO’s 1st round ARPA application.

For data collection methods at Pentland Hills, we will collect all pertinent income information for each low-income family purchasing an affordable unit. We will keep this information on file in our office and will use it to provide whatever report the County might require as proof that this measure of success was achieved. We will also keep on file the Energy Star certificate for each unit and provide them to the County as requested.

**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 and resulting economic strife has both highlighted and exacerbated the undue hardship low-income earners face due to systemic economic and social inequality in our community. National data confirms low income earners were hit disproportionately with greater wage disruption felt in combination with continued rent burden (https://www.americanprogress.org/article/expanding-supply-affordable-housing-low-wage-workers/) With affordable housing being among the top agents in social determinants of health, 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. Affordable housing in areas of opportunity provides places for low-income families to stabilize, build a support network, and thrive.

**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.
For Lakeshore Villas, the main subcontractors will be WeaverCooke Construction and Partnership Property Management. Please see MHO’s 1st round ARPA application for more details.

For Pentland Hills, during the infrastructure improvement phase MHO will be working with Civil Design Concepts, an Asheville-based civil engineering firm. The infrastructure work will be performed by a qualified sub-contractor who will be selected after we have completed a competitive bid process. On recent developments, we have used Tennoca Construction (based in Candler) and The Brigman Group (based in Asheville).

During the construction phase, MHO acts as the building contractor. All of our sub-contractors are locally based. Many are small businesses. A partial list of our sub-contractors includes: Turnkey Foundations, Tinajero Masonry, Whitted Electric, Mike’s Heating & Cooling, Anchor Plumbing, Houser Construction, JS Williams Home Improvement, Gonzalez Drywall, Allied Insulation, Stollenmaier Landscaping, Pinon Painting, Vandemusser Design. In addition, we use local suppliers for all of our major material needs.

**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 been a leader in affordable housing in Asheville and Buncombe County since 1988.

Specific to Lakeshore Villas, 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.

Specific to Pentland Hills, MHO has successfully completed every affordable homeownership sub-division it has developed. These include subdivisions in Leicester, Weaverville, Black Mountain, Swannanoa, and Asheville. Our most recently completed subdivision was Lillie Farm Cove in Weaverville. This 46-home mixed-income subdivision was awarded a 2021 NC Housing Award from the Housing Finance Agency of NC.

**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.

FINAL Recovery-Funds-budget-template (pentland hills Lakeshore Villas).3.xlsx

**Special Considerations**

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

As mentioned above, at Pentland Hills at least 40 of the 68 homes will be sold to low-income families. The remaining homes will be listed and sold without income restrictions, and the money generated from those sales will be used to provide “soft-second” financing to the low-income buyers who cannot qualify for a large enough first mortgage to buy a home. MHO soft-second loans are equity sharing, but they require no monthly payments and there is no interest. If MHO receives $1,000,000 in ARPA funding for Pentland Hills, our ability
to provide these loans will increase, thus allowing us to sell more homes at Pentland Hills affordably and fewer on the open market. We believe a better balance of affordable versus non-income-restricted homes would be 48 affordable versus 20 non-restricted. The ARPA funds could go a long way to help make that happen. In the event that not all ARPA funds are needed for soft-second financing, they could be available to MHO for reinvestment in our next affordable homeownership development after Pentland Hills.
File Attachment Summary

Applicant File Uploads

- 501(c)3 Letter.pdf
- FINAL Recovery-Funds-budget-template (pentland hills Lakeshore Villas).3.xlsx
Date: FEB 01 1989

Employer Identification Number: Applied For
Contact Person: ROBERTA VAN METER
Contact Telephone Number: (404) 331-4989 331-0185

Accounting Period Ending: 12-31
Foundation Status Classification: 509(a) (1)
Advance Ruling Period Begins: 7-25-88
Advance Ruling Period Ends: 12-31-92
Addendum Applies: No

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c) (3).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in sections 509(a) (1) and 170(h) (1) (A) (vi).

Accordingly, you will be treated as a publicly supported organization and not as a private foundation, during an advance ruling period. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must submit to us information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509(a) (1) or 509(a) (2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also, if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections 5.7(1) and 4940.

Grantors and contributors may rely on the determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you submit the required information within the 90 days, grantors and contributors may continue to rely on the advance determination until the Service makes a final determination of your foundation status.
If notice that you will no longer be treated as a publicly supported organization is published in the Internal Revenue Bulletin, grantors and contributors may not rely on this determination after the date of such publication. In addition, if you lose your status as a publicly supported organization and a grantor or contributor was responsible for, or was aware of, the act or failure to act, that resulted in your loss of such status, that person may not rely on this determination from the date of the act or failure to act. Also, if a grantor or contributor learned that the Service had given notice that you would be removed from classification as a publicly supported organization, then that person may not rely on this determination as of the date such knowledge was acquired.

If your sources of support or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers; or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

You are required to file Form 990, Return of Organization Exempt From Income Tax, only if your gross receipts each year are normally more than $25,000. If a return is required, it must be filed by the 15th day of the following month after the end of your annual accounting period. A penalty of $10 per day is charged when a return is filed late; unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your present or proposed activities are unrelated
MOUNTAIN HOUSING OPPORTUNITIES INC

lated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. See Revenue ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility of charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

Evidence submitted with your application indicates that you may engage in lobbying activities. Section 501(c)(3) of the Code specifically prohibits lobbying as a substantial part of your activities. If you do not wish to be subject to the test of substantiability under section 501(c)(3), you may elect to be covered under the provisions of section 501(h) of the Code by filing Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation. Section 501(h) establishes ceiling amounts for lobbying expenditures.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

[Signature]

Paul Williams
District Director

Latter 1045(00/C6)
MOUNTAIN HOUSING OPPORTUNITIES, INC
POST OFFICE BOX 1671
ASHEVILLE, NC  28802-1671

Dear Taxpayer:

This is in response to your inquiry concerning the tax exempt status of your organization.

Our records indicate the organization was granted exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code by our letter dated February, 1989.

Our ruling letter further granted you an advance ruling that you can reasonably be expected to be a publicly supported organization described in section 170(b)(1)(A)(vi) of the Code. The advance ruling period ends on December, 1992 at which time we will contact you for further information so that we may determine whether you have met the requirements of the applicable support test during the advance ruling period.

Contributions to you are deductible as provided in section 170 of the Code.

The tax exempt status recognized by our letter referred to above is currently in effect and will remain in effect until terminated, modified or revoked by the Internal Revenue Service. Any change in your purposes, character, or method of operation must be reported to us so we may consider the effect of the change on your exempt status. You must also report any change in your name and address.

Thank you for your cooperation.

Sincerely yours,

[Signature]

Cynthia Smith
Exempt Organizations Coordinator
Organization Name: Mountain Housing Opportunities
Project Name: Affordable Housing at Lakeshore Villas and Pentland Hills (Previously: 4% LIHTC Lakeshore Villas)
Amount Requested: $3,000,000

PENTLAND HILLS
Proposed Project Revenue Funder
Proposed Buncombe COVID Recovery Funds
Bank Financing (infrastructure)
MHO cash (infrastructure)
Bank Financing (home construction)
HOME Funds (home construction)
Buncombe County AHS loan (home construction)
MHO cash (home construction)
List other sources here

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<th>Proposed Recovery Funds</th>
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LAKESHORE VILLAS
Proposed Project Revenue Funder
Proposed Buncombe COVID Recovery Funds
First Round Buncombe ARPA
LIHTC Equity
Permanent Loan
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# Coronavirus State and Local Fiscal Recovery Funds
## Proposed Project Budget

**unities, Inc.**
Lakeshore Villas and Pentland Hills (Previously: 4% LIHTC Lakeshore Villas)

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**Total** $16,932,625.00

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**Total** $16,932,625.00

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<td>$ 1,975,000.00</td>
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<tr>
<td>$ 217,471.00</td>
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<tr>
<td>$ 1,750,000.00</td>
<td>$ 1,750,000.00</td>
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<tr>
<td>$ 552,082.00</td>
<td>$ 552,082.00</td>
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<tr>
<td>$ -</td>
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<td>$ -</td>
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<tr>
<td>Total</td>
<td>$ 24,530,054.00</td>
</tr>
</tbody>
</table>
Coronavirus State and Local Fiscal Recovery Funds

Proposed Project Budget

Mountain Housing Opportunities, Inc.
Affordable Housing at Lakeshore Villas and Pentland Hills (Previously: 4% LIHTC Lakeshore Villas)

$3,000,000
<table>
<thead>
<tr>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site Improvements, Building Construction, Contractor/Engineer/Architect Fees. NOTE: Materials costs are currently experiencing drastic price spikes making this line item a crucial expense for ARPA funding.</td>
</tr>
</tbody>
</table>

Attorney Fees, Tax Credit Allocation Fees, Organizational Fees Permitting, Office, Property Management, FF&E, Playgrounds, Developer Fee, Misc.

Land was purchased in full via a portion of the first round ARPA award to Lakeshore.
Rent-up & Operating reserves as required by NCHFA