

MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
October 25, 2018

The regular meeting of the Board of Directors of the West Virginia Housing Development Fund (the "Fund") was held on Thursday, October 25, 2018, at the office of the West Virginia Housing Development Fund, 5710 MacCorkle Avenue, SE, Charleston, West Virginia. The Chair called the meeting to order at 9:02 a.m. with the following members present throughout, except where noted:

Ann Urling, Chair
Norman Bailey, Representative for the Honorable Kent Leonhardt,
Commissioner of Agriculture
David Gardner, Member
John Gianola, Member
Sam Kapourales, Member
Mary Skeens, Member (via phone)
Josh Stowers, Representative for the Honorable John Perdue, Treasurer
Steven Travis, Representative for the Honorable Patrick Morrissey, Attorney General (via phone)

Members Absent:

Bob Nistendirk, Member

Staff present:

Erica Boggess, Executive Director
Wanda Childers, HOME Program Specialist
Cathy Colby, Senior Manager – HOME and HTF Programs
Julie Davis, Deputy Director – Production
George Gannon, Communications Administrator
Lauren Hunter, Loan Processor and Closer
Bret Jones, Credit and Risk Analyst
Darlene King, Multifamily Programs Administrator
Chad Leport, Division Manager - Accounting and Finance
Martha Lilly, Legal Assistant
Jill Martin, Executive Assistant
Kelley Ridling, Senior Manager - Internal Audit
Kristin Shaffer, Senior Legal Counsel

Nathan Testman, Senior Division Manager – Multifamily Lending
Michelle Wilshire, Senior Manager – Low Income Housing Tax Credit Program
Taran Wolford, Senior Manager - Human Resources
Dorothy White, Federal Compliance Officer

Others Present:

Samme Gee, Jackson Kelly PLLC
Kelley Goes, Jackson Kelly PLLC
Jennifer Greenlief, West Virginia Department of Agriculture

APPROVAL OF THE MINUTES OF THE SEPTEMBER 27,
2018 MEETING

Member David Gardner moved the approval of the minutes of the September 27, 2018 meeting. His motion was seconded by Representative Josh Stowers, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED
SEPTEMBER 30, 2018

Chad Leport reviewed the financial statements for the period ended September 30, 2018. The financials were accepted as presented.

Representative Steven Travis joined the meeting.

CONSIDERATION OF MULTIFAMILY PROGRAM LOANS
AND HOME PROGRAM LOAN TO GASTON AVENUE
APARTMENTS

Nathan Testman presented three loan requests from Gaston Avenue Apartments LP to finance the rehabilitation of the former Cook Hospital building located in Fairmont, Marion County into a twenty (20) unit Low-Income Housing Tax Credit (LIHTC) program project known as Gaston Avenue Apartments that will target families with incomes at or below 60% Area Median Income (AMI). Mr. Testman stated the three financing requests are 1) a revolving construction loan of up to \$2,500,000, 2) a permanent loan of up to \$350,000, and 3) HOME loan of up to \$585,000.

Mr. Testman stated that the experience of the development team is one of the biggest strengths of the project. Mr. Testman explained that each member of the development team has

experience with the LIHTC program and experience working together. Mr. Testman stated this is the fourth project for this development team and staff has a very high level of confidence in their ability to successfully complete this project. Mr. Testman explained that additional strengths of the project include a USDA guarantee on the permanent loan and Section 8 Project-Based Vouchers for ten of the units.

Mr. Testman stated the project has asbestos and lead based issues that must be addressed, and that the development team is familiar with addressing these contaminants. Staff will also work with Kelley Goes of Jackson Kelly to ensure that the Borrower develops an adequate plan to address these issues.

Mr. Testman stated that also due to the age of the structures being demolished and the proximity to Fairmont's historical district, the State Historical Preservation Office (SHPO) has been involved in the planning of the project. After consultation with SHPO, the Fund, the USDA, and the developers will enter into a Memorandum of Agreement to minimize and mitigate any impact to the historical nature of the property.

Mr. Testman stated the first request is for the revolving construction loan of up to \$2,500,000 with an interest rate of 4.75%. The loan origination fee will be 1% with a loan term of 24 months, converting to its permanent phase at the earlier of (1) 24 months or (2) project stabilization when all investor equity has been received to pay the loan balance down to its permanent level and all conditions of the USDA 538 Guarantee have been met. The loan will be secured by a first lien deed of trust on the property and personal guarantees of Chris Sadd, Mark Sadd, and Steve Sadd, as well as corporate guarantees of Gaston Avenue Associates LLC and Grant Street Commons LLC.

Mr. Testman stated the second request is for a permanent loan of up to \$350,000 with an interest rate of 4.75%. The loan origination fee will be 1% with a loan term of 40 years. The loan will be secured by a first lien deed of trust on the property. The Fund will also be secured by the project's operating and replacement reserves, and the loan will have a USDA 538 GRRHP Option 1 Permanent Loan Guarantee.

Mr. Testman stated the third request is for a HOME Loan of up to \$585,000 with an interest rate of up to 1%. The term of the loan will be up to 30 years and will be secured by a second lien deed of trust on the property. During construction, the HOME loan will be guaranteed by Gaston Avenue GP LLC, Gaston Avenue Associates LLC, Grant Street Commons LLC, Chris Sadd, Mark Sadd, and Steve Sadd.

Member John Gianola moved the approval of a revolving construction loan of up to \$2,500,000 as presented. His motion was seconded by Representative Norman Bailey, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

Member Gardner moved approval of a permanent loan of up to \$350,000 as presented. His motion was seconded by Representative Bailey, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

Member Gardner moved approval of a HOME loan of up to \$585,000 as presented. His motion was seconded by Representative Stowers, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

A copy of the Executive Summary for the above project is attached as Exhibit A.

CONSIDERATION OF LOANS TO WINGATE VILLAGE
APARTMENTS, JEVUE CLUB APARTMENTS, AND POST
MILL APARTMENTS

Mr. Testman presented loan requests for three projects with Buckeye Community Hope Foundation as the developer. Mr. Testman stated the developer is very large and very experienced and has been involved in the creation of over seventy-five (75) LIHTC properties throughout the Midwest, Appalachia and the Southeast, including fourteen (14) in West Virginia. Mr. Testman stated all three projects are LIHTC projects involving the acquisition and substantial rehabilitation of existing RD 515 properties.

Mr. Testman stated that, with the Board's approval, the Fund will provide a soft source of funds through the HUD programs the Fund administers, the HOME Program or the National Housing Trust Fund Program (NHTF), to each of the projects. Mr. Testman stated that funding gaps are common in LIHTC projects, and the HOME and NHTF programs are a good source of gap funding because the loans can be structured in a junior or shared lien position and on a cash flow contingent repayment basis. Mr. Testman informed the Board that staff has reviewed the applications of all three projects and feels very strongly about the long-term viability of the projects.

Mr. Testman stated the first recommendation is for Wingate Village, a 20-unit project in Eleanor, Putnam County. Staff is requesting approval of a HOME loan to Buckeye Community Seventy Three, L.P. not to exceed \$1,100,000, with an interest rate of up to 1% and a term of up to 20 years, and as further outlined in the Board packet. Mr. Testman stated this project meets all HOME program guidelines.

Representative Stowers moved the approval of the first recommendation for Wingate Village, as presented. His motion was seconded by Member Gardner, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

Mr. Testman stated the second recommendation is for Jevue Club Apartments, a 40-unit project in New Martinsville, Webster County. Staff is requesting approval of a NHTF loan to

Buckeye Community Fifty Four, LP of up to \$710,000 with an interest rate of up to 1%, and a term of up to 30 years as outlined in the Board packet. Mr. Testman stated this project meets all NHTF program guidelines.

Representative Stowers moved the approval of the second recommendation for Jevue Club Apartments, as presented. His motion was seconded by Member Sam Kapourales, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

Mr. Testman stated the third recommendation is for Post Mill Apartments, a 32-unit project in Mineral Wells, Wood County. Staff is requesting approval of a NHTF loan to Buckeye Community Fifty Five, LP of up to \$490,000 with an interest rate of 1%, and a term of up to 30 years, and as further outlined in the Board Packet. Mr. Testman stated this project meets all NHTF program guidelines.

Member Kapourales moved approval of a third recommendation to Post Mill Apartments as presented. His motion was seconded by Member Gardner, and, upon the affirmative vote of the eight (8) members present, the Chair declared the motion adopted.

Copies of the Executive Summaries for the above projects are attached as Exhibit B.

INFORMATIONAL ITEM

Ms. Boggess stated that the Executive Director can approve projects up to \$300,000 if they meet the program guidelines adopted by the Board.

Ms. Boggess stated that under the West Virginia Property Rescue Initiative Code Enforcement Technical Assistance program, the Fund provides awards to communities to assist in adopting, implementing, and enforcing ordinances and codes to address dilapidated housing. Ms. Boggess stated the Board approved \$50,000 per year for three years to fund the Technical Assistance program. Ms. Boggess informed the Board that the Fund approved funding for six projects to various organizations across the State.

Ms. Boggess stated the Special Assistance Loan Program (SALP) is a forgivable loan program operated by the Fund, and that the Fund previously issued a SALP RFP for \$500,000. Ms. Boggess informed the Board that the Fund approved six projects for funding for a variety of needs, including, rehabilitation and new construction costs for shelters and rehab for single family homes to allow people to remain in their homes.

EXECUTIVE SESSION

Ms. Boggess informed the Board that an executive session was not needed.

There being no further business, Representative Bailey moved to adjourn the meeting. His motion was seconded by Member Gardner. Meeting adjourned at 9.37 a.m.



Martha Lilly, Assistant Secretary



MEMORANDUM

TO: Members of the Board of Directors

FROM: Erica L. Boggess, Executive Director *ELB*
Julie W. Davis, Deputy Director - Production *JWD*
Nathan E. Testman, Senior Division Manager - Multifamily Lending *NET*
Catherine Colby, Senior Manager – HOME & HTF Programs *CColby*

DATE: October 25, 2018

SUBJECT: Multifamily Loan Program
Gaston Avenue Apartments, Fairmont, Marion County
Construction Loan up to \$2,500,000 (Revolving)
Permanent Loan up to \$350,000
HOME Loan up to \$585,000

This memorandum outlines a proposal the West Virginia Housing Development Fund (the "Fund") has received for the rehabilitation and permanent loan financing of Gaston Avenue Apartments (the "Project"), a 20-unit Low-Income Housing Tax Credit Program (LIHTCP) project located at 200 Gaston Avenue in Fairmont, West Virginia. In addition to construction and permanent financing requests through the Multifamily Loan Program, the Project will utilize HOME Investment Partnerships ("HOME") Program funds. The Fund has reviewed the proposal of the Project for compliance with the HOME regulations and determined that the proposal meets the requirements of the HOME Program and RFP.

Development: The proposed site for the Project is approximately 0.358 acres situated on three (3) parcels within the Fairmont City District. The Project will involve the adaptive-reuse of the former Cook Hospital building originally built in 1904 into twenty (20) affordable housing units.

There will be eight (8) one-bedroom units and twelve (12) two-bedroom units. Ten (10) of the units have been approved by the Fairmont-Morgantown Housing Authority (FMHA) to receive Section 8 Project-Based Vouchers. Up to five (5) units will be designated as HOME units and comply with HUD HOME Rent Restrictions. The applicable per-unit subsidies do not exceed the maximum per-unit subsidy limits established for the HOME Program. The Project is anticipated to be complete in the Fall of 2019 and will target families for occupancy.

A summary of the unit configuration and rent structure is shown below:

Unit Description	% AMI	# of Units	Square Footage of Units	Monthly Tenant Paid Rent / Annual Total	Tenant Paid Utility Allowance	Gross Tenant Paid Rent	IRS / HOME Rent Restriction (Maximum)
1 Bedroom	60%	4	650	\$520	\$71	\$591	\$657 / \$585
1 Bedroom	60%	2	650	\$572	\$71	\$643	\$657 / \$585
1 Bedroom	40%	2	650	\$572	\$71	\$643	\$438 / \$538
2 Bedrooms	60%	6	800	\$627	\$83	\$710	\$789 / \$765
2 Bedrooms	60%	3	800	\$758	\$83	\$841	\$789 / \$765
2 Bedrooms	40%	3	800	\$758	\$83	\$841	\$526 / \$646
Total		20	14800	\$152,136			

Bowen National Research completed a Market Analysis dated May 10, 2017 to evaluate the market feasibility surrounding the Project. The Primary Market Area (PMA) includes Fairmont, Barrackville, Rivesville, Whitehall, Pleasant Valley, Grant Town, Monongah, portions of Fairview and some surrounding areas of Marion County. The market analyst concludes that:

- The Project's proximity to downtown Fairmont allows for substantial area services to be within walking distance, including a public bus stop operated by the Fairmont-Marion County Transit Authority. The availability of this service is considered beneficial to the low-income population targeted and is a positive attribute to marketability. The Project will also contribute to the revitalization of the surrounding neighborhood.
- Within the PMA, demographic trends have been positive in terms of both total population and households over the past five-year period, and growth is projected to continue between 2016 and 2021. Renter households are expected to experience growth, as 6,731 renter households are projected for the market in 2021, an increase of 163, or 2.5% over 2016 levels.
- Economic trends in Marion County indicate very strong demand for more affordable housing due to slow unemployment rate decrease and steady population increase.

- Out of the 16 projects surveyed in the PMA, eight are affordable housing projects. All eight have 100% occupancy and waiting lists. The other eight are market rate projects with a total occupancy rate of 96.4%.
- Considering the 100.0% occupancy rates and waiting lists maintained among the comparable affordable housing properties, the proposed Project rents are considered achievable within the Fairmont market.

The 2014 West Virginia Statewide Housing Needs Assessment completed by Vogt Santer validates strong demand for the targeted family renter households in Marion County. The Potential “Un-Met” Housing need for qualified families targeting 41-60% AMI in 2014 was 759 and 0%-50% AMI was much larger at 2,431. Although these figures are predicted to slightly decrease in 2019, they strongly support demand for the new Project.

Project Summary: a summary of the proposed Project is shown below:

Project Summary		
A.	Occupancy Type:	Low-Income
B.	Building Type:	Garden-Style Apartments w/Elevator
C.	Type of Construction:	Adaptive Reuse / Rehabilitation
D.	Foundation:	Poured Concrete Slab
E.	Structural System:	Masonry Frame
F.	Floor Finish:	Vinyl Plank
G.	Exterior Finish:	Masonry
H.	Number of Units:	20
I.	Number of Buildings:	1
J.	Number of Stories In Bldg.	4
K.	Exact Area (Acreage) of Site:	0.358 acres
L.	Number of Parking Spaces:	21
M.	Gross Floor Area of Buildings:	23,540 square feet
N.	Apartment Distribution:	8 one-bedroom, 12 two-bedroom
O.	Unit Equipment:	Electric Range, Refrigerator, Dishwasher, Central Air Conditioning, In-Unit Washer/Dryer Appliances, Window Blinds, Ceiling Fan, Intercom
P.	Utilities Included in Contract Rent:	Water, Sewer, and Trash
Q.	Utilities Paid by Tenant:	Electric, Cable, and Phone
R.	Construction Period:	12 months
S.	WVHDF Permanent Loan:	40-year amortization with a 40-year fixed rate

Total Development Costs: Total development costs and costs per square foot are estimated to be as follows:

Development Costs	Amount	Per Unit	%
Predevelopment Costs	\$ 283,000	\$ 14,150	7.73%
Acquisition Costs	\$ 188,100	\$ 9,405	5.14%
Construction Costs	\$ 2,327,256	\$ 116,363	63.55%
Soft & Carrying Costs	\$ 864,016	\$ 43,201	23.59%
Total	\$ 3,662,372	\$ 183,119	100%

Construction Costs	Square Feet
Residential Units	14,800
Other	8,740
Total	23,540
Total Construction Cost	\$2,327,256
Construction Cost/Square Foot	\$99

The Project's construction costs per square foot are displayed above. Predevelopment, acquisition, and soft and carrying costs are not included as they are typically not associated with this measure. If such costs were included in the calculation, the "all in" cost per square foot is \$155.

The total development costs for Gaston Avenue Apartments are within the limits of the LIHTCP and HOME and have been reviewed by the Fund's Technical Services Staff to ensure the costs are reasonable given the scope of work for the Project.

Owner/Borrower/Developer: The Borrower for the Project is Gaston Avenue Apartments LP; a single asset entity created for the sole purpose of this Project ("Borrower"). The Co-General Partners of the Borrower are Gaston Avenue GP LLC and Augusta Development Corporation. Gaston Avenue GP LLC is owned and controlled by Fairmont Morgantown Housing Authority (88% ownership), Chris Sadd (11% ownership and managing member), and Mark Sadd (1% ownership). Augusta Development Corporation is 100% owned and controlled by the Fairmont Morgantown Housing Authority.

The developer for the Project is Gaston Avenue Associates LLC; an entity owned by Grant Street Commons LLC (51% ownership) and Luna Management, LLC (49% ownership). Grant Street Commons LLC is owned and controlled by Chris, Steve and Mark Sadd ("Sadd Brothers"). Luna Management is owned and controlled by Kathy and Bob Childers. Owner and developer organizational charts are attached to this memo for more detail. The Sadd Brothers are

experienced developers and have been involved in the development of multiple LIHTCP real estate projects in West Virginia.

Lending Limit: The Fund includes all outstanding loans to entities related to the Sadd Brothers in determining whether the proposed loans will exceed the Fund's lending limit. As of October 25, 2018, entities related to the Sadd Brothers have three (3) existing loans with the Fund and two pending commitments. Pursuant to the Multifamily Lending Policy, only a portion of the loan balances are added to the Sadd Brothers' aggregate loan exposure. The proposed request for a construction loan of up to \$2,500,000 and a HOME loan of up to \$585,000 and other outstanding commitments brings the Sadd Brothers' aggregate loan exposure to \$7,956,400, which is below the Fund's current aggregate loan exposure limit of \$17,255,800.

Guarantor Evaluation: The construction loan will include corporate guarantees of Gaston Avenue GP LLC, Gaston Avenue Associates LLC, and Grant Street Commons LLC and personal guarantees of Chris, Mark and Steve Sadd. The HOME loan will also include these guarantees during the construction phase of the Project. An analysis of the financial condition of the guarantors evidences significant support to the Project, most notably because of the net worth and liquidity of the Sadd Brothers. The permanent loan will include a USDA 538 loan guarantee, which will guarantee 90% of the principal balance of the permanent loan. For the permanent loan, limited, non-recourse guarantees of the corporate owners may also be required.

Development Team:

Architect:	Aric Margolis Architecture Aric Margolis 602 Virginia St., E., Suite 102 Charleston, WV 25337
Attorney:	Lewis Glasser PLLC Mark Sadd 300 Summers St., Suite 700 Charleston, WV 25301
Contractor:	City Construction Company, Inc. Bud Henderson 284 Factory St. Clarksburg, WV 26301
Management Agent:	FMHA Management Inc. Lisa Darden P.O. Box 1454 Fairmont, WV 26555

Gaston Avenue Apartments will be the fourth LIHTC project that involves the Developer (Sadd Brothers), Architect (Aric Margolis) and Contractor (City Construction). In addition to analyzing the resumés of the development team, Payment and Performance Bonds, which will be assigned to the Fund, are required for this Project. The P&P Bonds will help ensure the satisfactory completion of the construction contract. Given the experience of the development team, which includes collaborating on prior LIHTC projects, Staff has a very high level of confidence in their ability to successfully complete the proposed Project.

Tax Credit Syndicator: The tax credit syndicator is Community Affordable Housing Equity Corporation (“CAHEC”) who will provide an equity investment into the Project in an estimated amount of \$2,820,718. As of June 30, 2018, CAHEC equity funds have raised and committed more than \$2.2 billion towards the development of 664 properties and 30,451 units of affordable housing for seniors, families, and special needs individuals.

Collateral Evaluation: Collateral for the construction and permanent loans will include a first lien deed of trust on the land and improvements known as Gaston Avenue Apartments. For the permanent loan, the Fund will also be secured by the borrower’s operating and replacement reserves associated with the Project. The HOME loan will be secured by a second lien deed of trust (behind the Fund’s Multifamily loan). During construction, the Fund will also be secured by payment and performance bonds equal to 100% of the construction contract.

An Appraisal dated May 31, 2018 values the Project subject to the rent restrictions with the LIHTC program at \$750,000. When considering the maximum permanent loan request of \$350,000, this results in a loan to value (“LTV”) of 47%. The expected permanent loan amount of \$275,000 produces an LTV of 37%. The expected HOME loan amount of \$533,000 will have an LTV of 117.7%. The HOME funds are intended to be a “soft” source of funds for this Project and therefore it is not uncommon for the loan to have a higher LTV ratio.

Environmental Evaluation: The subject property contains two structures: The former Cook Hospital building that will be renovated into affordable housing units and a single-family structure that will be demolished. Given the age of the structures and the Project’s proximity to Fairmont’s historical district, the State Historic Preservation Office (SHPO) has been heavily involved in the planning of the Project. The developers, SHPO, the Fund and USDA will enter into a Memorandum of Agreement to minimize/mitigate any impacts to the historical integrity of the site prior to closing.

On 11/15/17, a Phase 1 Environmental Site Assessment (ESA) of the site was prepared for the Fund and the Sadd Brothers, LLC by Enviroprobe Integrated Solutions, Inc. The ESA found no Recognizable Environmental Conditions (RECs). Due to the age of the existing structure on the site that will be rehabilitated substantially, the ESA recommended the original elevator shaft be inspected prior to any demolition work to ensure any oil-containing or hydraulic containing equipment has been removed.

An asbestos inspection was completed in November 2017 and identified one (1) homogeneous area in the roof mastic containing Asbestos Containing Material (ACM) that will require removal prior to demolition activities. In addition to the ESA and asbestos surveys, a Lead Based Paint (LBP) Testing Report was completed for the 4-story building on 11/21/17 by Pinnacle Environmental Consultants. The report noted LBP throughout the interior and exterior of the structure that will require abatement.

Staff will work with Jackson Kelly law firm to ensure the Borrower has developed an adequate plan to address the ACMs and LBP.

As required by HUD, the Fund will conduct a Part 58 environmental review and will submit a Request for Release of Funds for the Project to HUD. HUD will review the Project's environmental documentation; and upon their approval, HUD will issue an Authority to Use Grant Funds for the Project. Receipt of HUD's Authority to Use Grant Funds will enable the Fund to proceed with HOME loan closing.

It should be noted that the Project is not located in the flood zone. The Fund's technical services staff also inspected the subject site on June 9, 2017 and assigned an overall rating of Superior for the site's suitability for the proposed development.

Project Cash Flow: The Project's projected cash flow is shown below:

Projected Cash Flow	
Revenue:	
LIHTC Rents	\$152,136
Other Income	\$0
(Vacancy)	-\$10,650
Effective Gross Income	\$141,486
Expenses:	
Management Expenses	\$25,190
Operating and Maintenance	\$25,045
Utilities	\$23,924
Taxes and Insurance	\$29,428
Replacement Reserves	\$7,000
Annual Asset Mgmt Fee	\$4,000
Total Expenses	\$114,587
Net Operating Income	\$26,899

Debt Service:	
Annual RD Fee	\$1,375
WVHDF Permanent	\$15,370
Total	\$16,745
DSC	1.61

Once construction has been completed, the investor equity will be used to reduce the construction loan to the expected permanent level of \$275,000. Staff is requesting authorization of a permanent loan in an amount not to exceed \$350,000 to provide a cushion for any unforeseen changes prior to closing.

The Project's projected cash flow covers the proposed debt service requirements sufficiently as evidenced by a debt service coverage (DSC) ratio of 1.61x. This calculation is based on the expected permanent loan amount of \$275,000. Due to the presence of project-based rental assistance, Staff is confident about the accuracy and stability of the projected cash flow. Staff is requesting approval of up to \$350,000 for any unforeseen changes prior to the permanent loan closing. When factoring in the maximum loan amount of \$350,000, the Project reports an acceptable DSC of 1.28. The HOME loan will be repaid on a cash-flow dependent basis, and therefore no scheduled payments for the HOME loan have been included in the DSC analysis.

In addition to the debt service coverage ratio, the Project's debt yield, which measures the Project's ability to generate cash flow in comparison to the amount of debt associated with the property, was analyzed. A summary is shown below:

$$\text{NOI } (\$26,899) / \text{Loan amount (max of } \$350,000) = \text{Debt Yield (7.7\%)}$$

The Project shows an adequate debt yield of 7.7% based on the maximum loan amount. It should be noted that the Project's debt yield would be 9.8% if the expected loan amount of \$275,000 is used for the calculation. Pursuant to the Fund's current underwriting practices, a debt yield of 7% or higher is deemed acceptable.

Sources: Total Project sources are expected to be \$3,662,372. An estimated breakdown is shown below:

Sources	
Investor Equity	\$ 2,820,718
WVHDF Permanent loan	\$ 275,000
WVHDF HOME Funding	\$ 533,000
Deferred Developer Fee	\$ 33,014
Developer Investment	\$ 640
Total	\$ 3,662,372

Given the amount of investor equity scheduled to be injected into the Project, the permanent loan will have a favorable loan to cost ratio of 9.56%.

Permanent LTC	Amount
Permanent Loan (maximum)	\$ 350,000
	÷
Total Cost	\$ 3,662,372
Loan To Cost Ratio	9.56%

Due to the timing of investor equity, a revolving construction loan amount of \$2,400,000 has been requested. Staff is requesting approval of up to \$2,500,000 for any unforeseen changes prior to closing. Once construction has been completed, the investor equity will be used to reduce the construction loan to the expected permanent level of \$275,000, not to exceed \$350,000. During construction, the combined (Multifamily and HOME) LTC ratio will be 84.24%.

Terms of WVHDF loans: Terms for the proposed loans are shown below.

Construction Loan (Revolving):

- Borrower: Gaston Avenue Apartments LP
- Loan Amount: up to \$2,500,000
- Interest Rate: Fixed rate of 4.75%
- Loan Origination Fee: 1%
- Term: 24 months. Loan will convert to its permanent phase at the earlier of (1) 24 months, or (2) Project stabilization/when all investor equity has been received to pay the loan balance down to its permanent level and all conditions of the Project's USDA 538 Guarantee have been met.
- Collateral: A first lien deed of trust on the land and improvements known as Gaston Avenue Apartments
- Guarantee: Corporate guarantees of Gaston Avenue GP LLC, Gaston Avenue Associates LLC, Grant Street Commons LLC and personal guarantees of Chris Sadd, Mark Sadd and Steve Sadd.
- Payment and performance bonds equal to 100% of the construction contract

Permanent Loan:

- Borrower: Gaston Avenue Apartments LP
- Loan Amount: up to \$350,000 (Expected loan amount is \$275,000)
- Interest Rate: Fixed rate of 4.75%
- Loan Origination Fee: 1%
- USDA Initial Guarantee Fee of 1% of the guarantee principal amount
- USDA Annual Guarantee Fee of 0.5% of the outstanding principal amount of the loan
- Term: 40-years

- Collateral: A first lien deed of trust on the subject property. The Fund will also be secured by the Borrower's operating and replacement reserves associated with the Project.
- Guarantee: USDA 538 GRRHP Option 1 Permanent Loan Guarantee. Limited, non-recourse guarantees of the corporate owners may also be required.

HOME Loan:

- Borrower: Gaston Avenue Apartments LP
- Loan Amount: up to \$585,000 *
- Interest Rate: up to 1%
- Term: up to 30 years
- Collateral: A second lien deed of trust on the subject property
- Repayment: Deferral in the repayment of a portion or all of HOME funds will be determined in conjunction with final underwriting, which occurs prior to the execution of the HOME Written Agreement with the Owner.
- Guarantees: Corporate guarantees of Gaston Avenue GP LLC, Gaston Avenue Associates LLC, Grant Street Commons LLC and personal guarantees of Chris Sadd, Mark Sadd and Steve Sadd will be required during the construction phase of the Project.

*It should be noted that Fund staff costs, which are related to carrying out the Project as permitted by 24 CFR 92.206(d)(6), will be submitted for reimbursement through HUD's Integrated Disbursement Information System.

Conclusions/Recommendations: The Project appears adequate to service the proposed debt at a Debt Service Coverage ("DSC") ratio of 1.61x. Given the substantial amount of investor equity scheduled to be injected into the Project, the developer's experience and the projected cash flow of the Project, Staff recommends approval of the loan request subject to the following conditions:

Recommendation #1 – W VHDF Construction Loan of up to \$2,500,000 – Approval is recommended subject to the following conditions:

- Receipt of USDA Conditional Commitment

Recommendation #2 – W VHDF MLP Permanent Loan of up to \$350,000 – Approval is recommended subject to the following conditions:

- Fulfillment of all requirements contained in the USDA Conditional Commitment.

Recommendation #3 – W VHDF HOME Loan of up to \$585,000 – Approval is recommended

Signature Page Follows

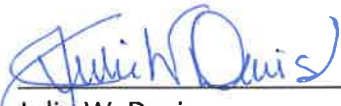
Thank you for your consideration of this request. Staff will be present at the meeting to address questions about the proposed loan.



Catherine Colby
Senior Manager – HOME & HTF Programs



Nathan E. Testman
Senior Division Manager – Multifamily Lending



Julie W. Davis
Deputy Director – Production



Erica L. Boggess, CPA
Executive Director

EXECUTIVE SUMMARY
Housing Trust Fund (HTF) Program

Project Name: Jevue Club Apartments (RFP No. 2017-02-18)

Location: 1250 North State Route 2, New Martinsville, Wetzel County, WV 26155

Owner/Developer Name: Owner: Buckeye Community Fifty Four, LP, Developer: Buckeye Community Hope Foundation, Steven J. Boone, President

Project Description/Activity: Jevue Club Apartments (Project) involves the acquisition and substantial rehabilitation of an existing multifamily residential rental project located on an approximate 7.61-acre tract. It will be comprised of seven (7) buildings. Two buildings are the Project's community building and maintenance shed. There are five residential buildings that contain a total of forty (40) two-bedroom apartments, approximately 786 square feet each. Up to six (6) units will be designated as HTF units and comply with HUD HTF Rent Restrictions. The remaining units will be designated as LIHTC units and comply with IRS Rent Restrictions.

The applicable per-unit subsidies do not exceed the maximum per-unit subsidy limits established for the HTF Program.

Project Cost \$5,289,213

<u>Sources of Funds</u>	<u>Terms</u>	<u>Status</u>	<u>Amount</u>
USDA RD 515 Mortgage	1.00%, 50 year amortizing, 30 year loan	Committed	\$ 2,835
RiverHills Bank	5.99%, 40 year amortizing, 17 year loan	Committed	150,000
WVHDF HTF Loan	up to 1%, up to 30 years*	Committed	645,377
Deferred Developer Fee	0%, 15 years	Committed	50,292
Existing Replacement Reserves	N/A	Committed	85,000
General Partner Equity	N/A	Committed	72,137
LIHTC Equity	N/A	Committed	4,283,572
Total			\$5,289,213

Uses of Funds

Acquisition	\$ 683,000
Construction Costs	3,078,785
Soft & Carrying Costs	1,527,428
Total	\$5,289,213

HTF Loan Terms: The expected HTF loan amount is \$645,377; however, staff is requesting up to \$710,000 for any unforeseen changes prior to closing and to allow for the reimbursement of the Fund's staff costs. The HTF loan will have an interest rate of up to 1% and a loan term of up to 30 years. The terms of the HTF loan, which may result in the deferral in the repayment of a portion or all of such funds, will be

*The terms of HTF loan begin with project completion and include the completion of construction and lease-up of all HTF units.

determined in conjunction with final underwriting, which occurs prior to the execution of the HTF Written Agreement with the Owner. The Fund will secure the loan with a shared second lien deed of trust with USDA Rural Development, behind the RiverHills Bank permanent loan. During construction, the Fund will be in a shared third lien position with USDA RD, behind the RiverHills Bank construction and permanent loans.

Project Cash Flow: An analysis of the Project's cash flow illustrates it is sufficient to support the Project's operating costs, including its debt service and contributions to the replacement reserve account. The Project includes Project Based Rental Assistance for thirty-one of the Project's units, which adds significant strength to the long-term demand and viability of the Project.

Collateral Evaluation: After the construction phase of the Project, the Fund's HTF loan will be secured by a shared second lien deed of trust on the subject property. The Fund will also be secured by the Project's replacement reserve account. The HTF loan amount of up to \$710,000 plus senior and equal liens result in a 16% loan to cost ratio.

The HTF loan amount of up to \$710,000 plus senior and equal liens result in a 83% loan to value ratio pursuant to information received from the appraisal. Given that HTF funds are sometimes used as a "soft" source of debt that is equal to and subordinate to other debt, it is not uncommon for the loan to have a high LTV ratio. There are many contributing factors to the high LTV, including, but not limited to the restricted rents, which limit the amount of hard debt the Project can handle and the value of the property.

HUD per-unit subsidy limits allow the Fund to commit up to \$205,017 per two-bedroom unit. However, the HTF loan results in an average of \$107,563 per unit, which is approximately 48% lower than the maximum permitted by HUD.

Guarantees: The HTF loan will also be secured by Payment and Performance Bonds, which will be released at construction completion, and Replacement Reserve and Performance and Repayment Guarantees provided by one or more entities in the Project's development/ownership structure, including Buckeye Community Hope Foundation. The Fund has assessed the financial condition of Buckeye Community Hope Foundation and believes the guarantees will provide significant strengthened security to the loan structure.

Property Inspection: The Fund's Technical Services staff performed a LIHTC Site Suitability Rating on April 14, 2017, and the site was deemed adequate for the Project. Technical Services conducted a review and costing of the Project's plans and specifications and site development plan and determined the construction costs are reasonable and necessary.

Environmental Review: As required by HUD, the Fund conducted an environmental review for the Project and determined that it is in compliance with the environmental provisions at 24 CFR 93.301(f)(2). As a result, the Fund may proceed with HTF loan closing.

Lending Limits Policy: The Fund included all outstanding loans and pending commitments to entities related to Buckeye Community Hope Foundation in determining whether the proposed loan will exceed the Fund's lending limit to the developer. As of September 30, 2018, entities related to Buckeye Community Hope Foundation have thirteen (13) existing loans with the Fund and three pending commitments. Pursuant to the Multifamily Lending Policy, only a portion of the loan balances are added to Buckeye Community Hope Foundation's aggregate risk exposure. The aggregate total including the Project's request for an HTF loan of up to \$710,000, pending HOME commitment of up to \$1,100,000, and

pending Housing Trust Fund commitment of up to \$490,000, remain below the Fund's current maximum risk exposure limit of \$17,255,800.

Developer's Qualifications: The Borrower and owner for the Project are Buckeye Community Fifty Four, LP; a single asset entity created for the sole purpose of this Project. The Co-General Partners of the borrower are Jevue Ailin Housing Partners, Inc., and Jevue Belle Housing Partners, Inc.; both are controlled by Mr. Boone. The contractor for this project is Woda Construction, Inc., a very experienced contractor. The developer for the Project is Buckeye Community Hope Foundation, which is owned and controlled by Mr. Boone. Mr. Boone is an experienced developer who primarily rehabilitates existing affordable multifamily housing that is comparable to new market rate housing. Buckeye Community Hope Foundation has developed fourteen (14) LIHTC projects in West Virginia; they own and manage forty-four (44) LIHTC projects, which represent 1,415 total units. Given the experience of the development team, staff has a very high level of confidence in their ability to complete the proposed project.

Recommendation: Staff recommends approval of the subject HTF loan to Buckeye Community Fifty Four, LP not to exceed \$710,000, with an interest rate of up to 1% and a term of up to 30 years. Fund staff costs, which are related to carrying out the Project as permitted by 24 CFR 93.201(d)(6), will be submitted for reimbursement through HUD's Integrated Disbursement Information System.

This HTF project meets all Program guidelines.

- ☒ Project requires approval by Board of Directors.
☐ Project does not require approval by Board of Directors.

Approval:

Wanda Childers 10-17-18
Wanda Childers Date
HOME Program Specialist

Catherine Colby 10-17-18
Catherine Colby Date
Senior Manager-HOME & HTF
Programs

Nathan E. Testman 10/17/18
Nathan E. Testman Date
Senior Division Manager-Multifamily Lending

Julie W. Davis 10/17/18
Julie W. Davis Date
Deputy Director-Production

Erica L. Boggess 10/17/18
Erica L. Boggess, CPA Date
Executive Director

EXECUTIVE SUMMARY
Housing Trust Fund (HTF) Program

Project Name: Post Mill Apartments (RFP No. 2017-02-19)

Location: 74 Post Mill Way, Mineral Wells, Wood County, WV 26150

Owner/Developer Name: Owner: Buckeye Community Fifty Five, L.P., Developer: Buckeye Community Hope Foundation, Steven J. Boone, President

Project Description/Activity: Post Mill Apartments (Project) involves the acquisition and substantial rehabilitation of an existing multifamily residential rental project located on an approximate 2.69-acre tract. It will be comprised of six buildings. Two buildings are the Project's community building and maintenance shed. There are four residential buildings that contain a total of thirty-two (32) apartments: ten (10) one-bedroom units averaging 651 square feet each and twenty-two (22) two-bedroom units averaging 811 square feet each. Up to five (5) units will be designated as HTF units and comply with HUD HTF Rent Restrictions. The remaining units will be designated as LIHTC units and comply with IRS Rent Restrictions.

The applicable per-unit subsidies do not exceed the maximum per-unit subsidy limits established for the HTF Program.

Project Cost \$4,200,401

<u>Sources of Funds</u>	<u>Terms</u>	<u>Status</u>	<u>Amount</u>
USDA RD 515 Mortgage	1.00%, 50 year amortizing, 30 year loan	Committed	\$ 875,801
RiverHills Bank	5.99%, 40 year amortizing, 17 year loan	Committed	375,000
WVHDF HTF Loan	up to 1%, up to 30 years*	Committed	440,000
Deferred Developer Fee	N/A	Committed	187,556
General Partner Equity	N/A	Committed	47,708
LIHTC Equity	N/A	Committed	2,274,336
Total			\$4,200,401

Uses of Funds

Acquisition	\$1,060,000
Construction Costs	2,062,962
Soft & Carrying Costs	1,077,439
Total	\$4,200,401

HTF Loan Terms: The expected HTF loan amount is \$440,000; however, staff is requesting up to \$490,000 for any unforeseen changes prior to closing and to allow for the reimbursement of the Fund's staff costs. The HTF loan will have an interest rate of up to 1% and a loan term of up to 30 years. The terms of the HTF loan, which may result in the deferral in the repayment of a portion or all of such funds, will be determined in conjunction with final underwriting, which occurs prior to the execution of the HTF Written

*The terms of HTF loan begin with project completion and include the completion of construction and lease-up of all HTF units.

Agreement with the Owner. The Fund will secure the loan with a shared second lien deed of trust with USDA Rural Development, behind the RiverHills Bank permanent loan. During construction, the Fund will be in a shared third lien position with USDA RD, behind the RiverHills Bank construction and permanent loans.

Project Cash Flow: An analysis of the Project's cash flow illustrates it is sufficient to support the Project's operating costs, including its senior debt service and contributions to the replacement reserve account. The Project includes Project Based Rental Assistance for twenty-five of the Project's units, which adds significant strength to the long-term demand and viability of the Project.

Collateral Evaluation: After the construction phase of the Project, the Fund's HTF loan will be secured by a shared second lien deed of trust, on the subject property. The Fund will also be secured by the Project's replacement reserve account. The HTF loan amount of up to \$490,000 plus senior and equal liens result in a 41% loan to cost ratio.

The HTF loan amount of up to \$490,000 plus senior and equal liens result in a 146% loan to value ratio pursuant to information received from the appraisal. Given that HTF funds are sometimes used as a "soft" source of debt that is subordinate to senior debt, it is not uncommon for the loan to have a high LTV ratio. There are many contributing factors to the high LTV, including, but not limited to the restricted rents, which limit the amount of hard debt the Project can handle and the value of the property.

HUD per-unit subsidy limits allow the Fund to commit up to \$168,600 per one-bedroom unit and \$205,017 per two-bedroom unit. However, the expected HTF loan results in an average of \$88,000 per unit, which is approximately 54% lower than the maximum permitted by HUD.

Guarantees: The HTF loan will also be secured by Payment and Performance Bonds, which will be released at construction completion, and Replacement Reserve and Performance and Repayment Guarantees provided by one or more entities in the Project's development/ownership structure, including Buckeye Community Hope Foundation. The Fund has assessed the financial condition of Buckeye Community Hope Foundation and believes the guarantees will provide significant strengthened security to the loan structure.

Property Inspection: The Fund's Technical Services staff performed a LIHTC Site Suitability Rating on April 14, 2017, and the site was deemed adequate for the Project. Technical Services conducted a review and costing of the Project's plans and specifications and site development plan and determined the construction costs are reasonable and necessary.

Environmental Review: As required by HUD, the Fund conducted an environmental review for the Project and determined that it is in compliance with the environmental provisions at 24 CFR 93.301(f)(2). As a result, the Fund may proceed with HTF loan closing.

Lending Limits Policy: The Fund included all outstanding loans and pending commitments to entities related to Buckeye Community Hope Foundation in determining whether the proposed loan will exceed the Fund's lending limit to the developer. As of September 30, 2018, entities related to Buckeye Community Hope Foundation have thirteen (13) existing loans with the Fund and three pending commitments. Pursuant to the Multifamily Lending Policy, only a portion of the loan balances are added to Buckeye Community Hope Foundation's aggregate risk exposure. The aggregate total including the Project's request for an HTF loan of up to \$490,000, pending HOME commitment of up to \$1,100,000, and

pending HTF commitment of up to \$710,000, remain below the Fund's current maximum risk exposure limit of \$17,255,800.

Developer's Qualifications: The Borrower and owner for the Project are Buckeye Community Fifty Five, L.P.; a single asset entity created for the sole purpose of this Project. The General Partner of the borrower is Post Mill Housing Partners, Inc., which is controlled by Mr. Boone. The developer and contractor for the Project is Buckeye Community Hope Foundation, which is owned and controlled by Mr. Boone. Mr. Boone is an experienced developer who primarily rehabilitates existing affordable multifamily housing that is comparable to new market rate housing. Buckeye Community Hope Foundation has developed fourteen (14) LIHTC projects in West Virginia; they own and manage forty-four (44) LIHTC projects, which represent 1,415 total units. Given the experience of the development team, staff has a very high level of confidence in their ability to complete the proposed project.

Recommendation: Staff recommends approval of the subject HTF loan to Buckeye Community Fifty Five, L.P., not to exceed \$490,000, with an interest rate of up to 1% and a term of up to 30 years. Fund staff costs, which are related to carrying out the Project as permitted by 24 CFR 93.201(d)(6), will be submitted for reimbursement through HUD's Integrated Disbursement Information System.

This HTF project meets all Program guidelines.

- ☒ **Project requires approval by Board of Directors.**
☐ **Project does not require approval by Board of Directors.**

Approval:

Wanda Childers 10-17-18
Wanda Childers Date
HOME Program Specialist

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