



Helena AHTF – Project Underwriting Review Memo
Twin Creeks Apartments

PROJECT SUMMARY			
Address	Alice Street and Dorothy Street		
Developer / Owner	United Housing Partners LLC (UHP)		
Project Type	New Multi-Family Construction		
Number of Units	45		
Total Project Size (\$)	\$15.7M		
AHTF \$ Requested	\$1,000,000 construction / \$400,000 permanent loan		
AHTF \$ Per Unit	\$22,222 construction / \$8,888 permanent loan		
Beneficiaries (AMI class)	9 at <30% AMI, 6 at <50%AMI, 30 at <70% AMI		
Proposed Completion Date	Sept 2024 LIHTC closing and start of construction July 2025 Phase I occupancy start Jan 2026 Phase 2 occupancy start Mar 2026 final lease-up complete Apr 2027 permanent loan conversion		
Period of Affordability	35-years		
Applicant points to high interest rates, even with LIHTC and NHTF support, make it very difficult to serve people below 70% AMI and support long-term project feasibility. Helena AHTF funds are critical to the feasibility of this project.			
APPLICANT EXPERIENCE AND CAPACITY			
Principal and lead developer, Tyson O’Connell, has over twelve years of experience developing affordable housing throughout the country and first-hand experience working on affordable housing in Helena where he was born and raised. Previous work in Helena includes Fire Tower Apartments (fka Serendipity Apartments), a 44-apartment project in downtown Helena. The UHP team has combined experience of 25 years of in LIHTC and affordable housing development.			
MARKET NEEDS AND DEMAND FOR THE PROJECT			
UHP conducted a market study which found a need for 690 affordable homes in Helena in the 30%-70% AMI range. The study further estimated 2,091 income and size-qualified renters in the market area. The need for more supply of affordable homes is well supported by many sources including the Governor’s Housing Task Force and the Rocky Mountain Development Council.			
FINANCING & FUNDING - PERMANENT			
Financing Sources	Amount	Interest Rate	Annual Debt Service
First Mortgage	\$4,737,893	6.75%	\$351,287
National HTF	\$2,081,760		\$0
Helena AHTF	\$400,000	1.00%	\$10,000
LIHTC Equity	\$8,388,309		\$0
Deferred Dev Fee	\$104,313		\$0
Total Development Cost	\$15,712,275	Total	\$361,287
Helena AHTF Leveraged Funds:	\$15,312,275	Match Ratio:	38:1



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The project is pursuing a combination of 4% and 9% tax credits as well as National Housing Trust Fund dollars in addition to the Helena AHTF funds. It is common for projects to layer financing sources in this way, leveraging multiple sources to create strong affordability and impact while also supporting project viability and stability. The invitations for LIHTC applications will come out mid-May and the National HTF applications are due in June. The project request is for \$1,000,000 during construction which will help bridge the financing needed during the period before all equity comes into the project. During the construction period leverage would be 15:1. Once the project is complete and permanent debt and equity is in place the project would pay down \$600,000 to the Helena AHTF and with \$400,000 remaining in the project the leverage would be 38:1 with the permanent financing. This project far exceeds the Helena AHTF minimum match requirement of 5:1.

PROJECT FINANCIAL PROJECTIONS

First Year Information	Amount
Rents – Per Unit Average	\$1,168
Rents – Total Project	\$630,360
Vacancy (7.00%)	(\$44,125)
Rent (net of vacancy)	\$586,234
Operating Expense	\$194,977
Replacement Reserve	\$15,750
Income available for Debt Service	\$403,425
Debt Service	\$363,469
Net Cash Flow (Year 1)	\$39,957
Debt Coverage Ratio (Year 1)	1.11

Based on underwriting calculations debt coverage is expected to increase over time starting at a low of 1.11 and increasing to 1.41 by year 18 at the end of the financing term. Financial targets presented that meet Helena AHTF targets and requirements include operating expense minimum and maximum, replacement reserves, income and expense trending, and construction contingency. The projected operating reserve is slightly below the AHTF target of 4 months of operating costs, reserves, and debt service.

LOAN REQUEST - CONSTRUCTION

Loan Amount	\$1,000,000
Loan Type	Construction
Interest Rate	1.00%
Loan Terms	3 years interest only
Payment Schedule	\$833 per month
Contingency Requirements	Meets 5.00% construction contingency requirement
Security/Collateral	Subordinate lien on the property

LOAN REQUEST - PERMANENT

Loan Amount	\$400,000
Loan Type	Permanent
Interest Rate	1.00%
Loan Terms	40-year amortization with an 18-year term



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Payment Schedule	\$1,015 per month
Contingency Requirements	N/A
Security/Collateral	Subordinate lien on the property

Transition to permanent financing is projected to take place in April of 2027. This will fill the project financing gap and support affordable rents and project stabilization.

PROJECT STRENGTHS AND WEAKNESSES

- Strengths
 - Developer with strong experience, including successful previous project in Helena
 - Project is in line with all Helena AHTF guidelines and requirements
 - Responsive to community need and market
 - Strong impact with development of new affordable homes for a range of low-income individual and families
- Weaknesses
 - Other funding sources are not yet committed. This is typical of a project at this phase. Recommend Helena AHTF contingent on approval of other sources.
 - Operating reserves are projected to be slightly below the AHTF target of 4 months of expenses, reserve contributions, and debt service. With net cash generated in year one this reserve target would be met.

ADDITIONAL NOTES ON PROJECT FIT WITH TRUST FUND PROGRAM GUIDELINES

There is a lot that can happen in a project like this between initial planning, over the course of construction, and once the project is completed and ready to transition to permanent financing. It is very likely that the final project may look different than what was presented in this initial application. It will be important to be clear with the AHTF committee, city staff, and the developer what changes need to be reviewed and by whom and when review is required. This is important both for the developer to have funds they can rely on and for the City to make sure fund targets and impacts are being met.