



January 8, 2024

Affordable Housing Trust Fund Advisory Board
C/O Anne Pichette
APichette@helenamt.gov
Helena Community Development
316 N Park Ave
Helena, MT 59601

RE: Modification of HAHTF Request; Extraordinary Circumstances

Dear Anne:

United Housing Partners LLC (UHP) formally submits this request to modify the terms of the Helena Affordable Housing Trust Fund (HAHTF) award committed to Twin Creek Apartments (the Project) as defined in the August 1, 2023 Commitment Letter. As the Board may be aware, the Project has grown significantly since the Board and Commission approved funding at application. Twin Creek Apartments is now a 72-unit development, still 100% rent restricted to beneficiaries earning 70% or below of Area Median Income (AMI). Twelve of the homes are specifically set aside for extreme low-income residents earning 0-30% AMI.

All other funding has been secured for the Project, however, due to a tightening credit environment, the tax credit equity has come in significantly lower than expected, creating a \$1,200,000 funding gap.

The developer will secure a bridge loan to cover much of this gap, however, additional HAHTF are needed. All other Project funding sources are maxed out, and the Project is facing undue hardship unless HAHTF funds are increased.

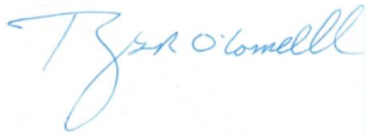
UHP asks to have the \$400,000 permanent loan be increased to an \$800,000 permanent loan either at the same terms, repayable through cash flow, or preferably the permanent financing be adjusted to a 1% interest only loan with deferred payment due at the end of the 18 year term or upon sale of the property.

The attached Exhibit (Twin Creek Apartments) gives the full project summary along with the sources and uses to highlight the drivers as evidence of the need for this modification.

UHP fully understands the desire to spread these funds to as many projects as possible, and as the City's partner wouldn't make this request without exploring and exhausting all other options. This decision is needed by the Board and the Commission

to see Twin Creek Apartments become a reality and benefit the Helena community for decades to come.

Sincerely,

A handwritten signature in blue ink that reads "Tyson O'Connell". The signature is written in a cursive style with a large, looping initial 'T'.

Tyson O'Connell
<https://uhousingpartners.com>
Tyson@uhousingpartners.com
406-531-4745

Twin Creek Apartments

Executive Summary:

United Housing Partners LLC (UHP) will build 72 new affordable apartments in Helena, Montana by twinning 9% and 4% Low Income Housing Tax Credits (LIHTCs) along with Coal Trust Multifamily Home (CTMH) Loan funds and other soft loans. This structure will allow the Montana Board of Housing to leverage a single 9% LIHTC award to create 72 new LIHTC homes.

Project Description:

The 72 homes will be located on Helena's east side at the corner of Alice Street and Dorothy Street. The project will be known as Twin Creek Apartments (the Project). Through the use of Income Averaging (IA), the Project will have a weighted average income restriction of 60% across all dwellings.

Twin Creek 9 will stand alone for funding, accounting, management, ownership, and compliance as 20 1-bedroom apartments for residents earning 60% or below the Area Median Income (AMI),

Twin Creek 4 will stand alone for funding, accounting, management, ownership, and compliance as 52-apartments across two buildings with:

- 36 apartments for residents earning up to 70% or below AMI
- 4 apartments for residents earning up to 60% or below AMI, and
- 12 apartments for Extreme Low-Income residents earning 30% or below the AMI

A condo structure will be used and:

- Twin Creek 9 Housing Associates LLLP (Twin Creek 9) will own 8 units on floor 1 of building 1, 6 units on floor 2 of building 1, and 6 units on floor 3 of building 1. Twin Creek 9 will also own the land and parking lot as shown with the blacked hashed line on the site plan below.
- Twin Creek 4 Housing Associates LLLP (Twin Creek 4) will own the entirety of building 2, 2 units on floor 2 of building 1, 2 units on floor 3 of building 1, and the leasing office/ maintenance / fitness area (common space) on floor 1 of building 1. Twin Creek 4 will lease this common space back to Twin Creek 9 and will own the parking lot and areas not inside the blacked hashed line on the site plan below.

Management and Expenses:

Twin Creek 4 and Twin Creek 9 will be managed as separate projects with one set of financials for Twin Creek 4 and another for Twin Creek 9 kept by the same management company. Common project expenses will be split prorata based on unit count with 72% of expenses going to Twin Creek 4 and 28% of expenses going to Twin Creek 9. Project specific expenses such as, but not limited to, financial audits will be billed directly to Twin Creek 4 or Twin Creek 9.

Entities:

(LP) Twin Creek 9 Housing Associates LLLP, a Montana LLLP, 545 Blaine St Missoula MT, EIN 93-4465501

(GP) Twin Creek 9 Managers LLC, a Montana LLC, 545 Blaine St Missoula MT, EIN 93-4225371

(LP) Twin Creek 4 Housing Associates LLLP, a Montana LLLP, 545 Blaine St Missoula MT, EIN 93-4534100

(GP)Twin Creek 4 Managers LLC, a Montana LLC, 545 Blaine St Missoula MT, EIN 93-4260731

(DEV) Twin Creek Developers LLC, a Montana LLC, 545 Blaine St Missoula MT, EIN 93-4209246

Developer and Development Team:

As UHP's principal and lead developer, Tyson O'Connell has over twelve years of experience developing affordable housing throughout the country, has developed and/or been a partner in over 4,500 units of affordable housing, and recently returned to Helena, where he was born and raised, to complete the rehabilitation of Fire Tower Apartments. UHP is headquartered in Missoula, with an office in Helena, and many of its team members and consultants have also worked with Wishcamper Development Partners LLC. Together, the UHP team have over 25 years of combined experience in LIHTC and affordable housing development.

UHP has worked closely with Mosaic Architecture and WWC Engineering to develop a site plan, buildings, and units design for the Project. Both companies have valuable experience developing affordable and market rate multifamily housing in Helena. The General Contractor (GC) will be selected through an interview process and the developer will negotiate a General Contractor as Construction Manager (GCCM) contract with the GC to ensure the GC is involved in the design, planning, and implementation of the development timeline.

Development Timeline:

January 2023	Purchase Agreement for site control of parcel identified for the Project.
June 2023	\$1,000,000 Helena Affordable Housing Trust Funds (HAHTFs) construction loan and \$400,000 permanent loan secured.
August 23, 2023	\$1,578,962 National Housing Trust Funds (NHTF) secured.
October 2023	\$6,500,000 total 9% LIHTC funding secured.
November 17, 2023	\$947,232 NHTF secured, total NHTF secured = \$2,526,194.
January 2024	Apply for additional \$400,000 HAHTF permanent loan
March 2024 to August 2024	Bidding phase and permitting processes completed.
August 2024	LIHTC closing.
August 2024 to January 2026	Construction period (2 phases)
September 2025	Certificate of Occupancy issued for Twin Creek 9.
January 2026	Certificate of Occupancy issued for Twin Creek 4.
May 2026	Stabilization.
June 2026	Tax credit certification and 8609s.

Financing Plan and Use of Tax Credits:

Twin Creek 9 will be financed with Montana Coal Trust Loan of \$474,940, 9% LIHTC equity of \$5,395,945 and a deferred developer fee of up to \$231,001. The developer will also donate up to \$225,000 of developer fee to stay within Montana Housing's allowed soft cost ratio.

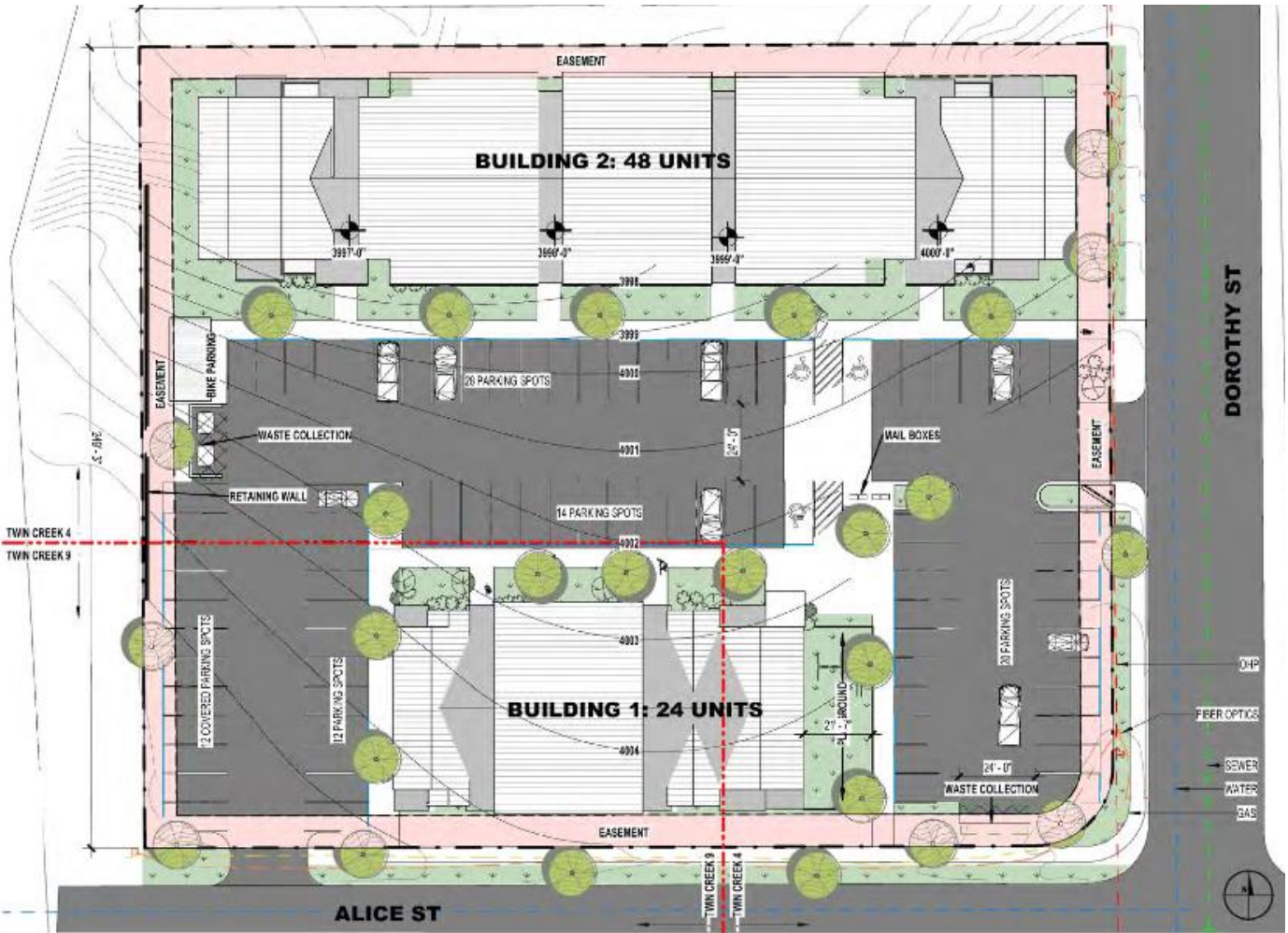
Twin Creek 4 construction financing: financed with a Montana Coal Trust Loan of \$7,686,748, 4% LIHTC equity estimated at \$5,200,810, a \$500,000 Montana Healthcare Foundation Loan, a City of Helena Affordable Housing Trust Fund Loan of \$1,000,000, National Housing Trust Funds of \$2,526,194, a Bridge to Equity Construction loan of \$7,100,000 and collateralized short-term tax-exempt bonds up to \$10,420,364.

Twin Creek 4 permanent financing: At Stabilization, the short-term bonds, \$200,000 of the HAHTF Loan, and the Bridge to Equity Loan will be paid-off with LIHTC equity. The \$800,000 HAHTF Permanent Loan will remain in place.

SOURCES & USES SUMMARY

SOURCES OF FUNDS	Total	Per-Unit	% Total	4% Project	9% Project	USES OF FUNDS	Total	Per-Unit	% Total	4% Project	9% Project
First Mortgage	\$8,161,688	\$113,357	34.2%	\$7,686,748	\$474,940	Acquisition-Related Costs	\$497,500	\$6,910	2.1%	\$359,306	\$138,194
Subordinate Mortgages	\$0	\$0	0.0%	\$0	\$0	Construction-Related Costs	\$16,562,157	\$230,030	69.4%	\$12,011,822	\$4,507,291
Helena HTF	\$800,000	\$11,111	3.3%	\$800,000	\$0	Soft Costs	\$1,593,500	\$22,132	6.7%	\$1,163,361	\$430,139
National HTF	\$2,526,194	\$35,086	10.6%	\$2,526,194	\$0	Carrying Costs - Interest, RE/Tax	\$1,243,170	\$17,266	5.2%	\$1,079,893	\$163,277
Montana Healthcare Foundation Lo	\$500,000	\$6,944	2.1%	\$500,000	\$0	First Mortgage Costs	\$131,642	\$1,828	0.6%	\$95,075	\$36,567
N/A	\$0	\$0	0.0%	\$0	\$0	Bond Issuance Costs	\$340,206	\$4,725	1.4%	\$340,206	\$0
Letters of Credit	\$0	\$0	0.0%	\$0	\$0	Subordinate, Constr. Loan Costs	\$226,000	\$3,139	0.9%	\$177,111	\$48,889
LIHTC Equity (Federal)	\$10,596,756	\$147,177	44.4%	\$5,200,810	\$5,395,945	Equity & LIHTC-Related Costs	\$209,700	\$2,913	0.9%	\$104,506	\$105,194
LIHTC Equity (State)	\$0	\$0	0.0%	\$0	\$0	Reserves & Escrows	\$365,944	\$5,083	1.5%	\$264,293	\$101,651
HTC Equity (Federal)	\$0	\$0	0.0%	\$0	\$0	Resident Services Reserve	\$0	\$0	0.0%	\$0	\$0
HTC Equity (State)	\$0	\$0	0.0%	\$0	\$0	Not Used	\$0	\$0	0.0%	\$0	\$0
Interim Income	\$0	\$0	0.0%	\$0	\$0	Not Used	\$0	\$0	0.0%	\$0	\$0
Donated Developer Fee	-\$335,000	-\$4,653	-1.4%	-\$110,000	-\$225,000	Dev Fee Reduction Soft Cost Ratio	\$335,000	\$4,653	1.4%	\$110,000	\$225,000
Additional Deferred Dev Fee	\$1,296,807	\$18,011	5.4%	\$1,022,761	\$231,001	Max Developer Fee	\$2,711,625	\$37,661	11.4%	\$2,140,942	\$570,683
	\$23,881,444	\$331,687	\$331,687	\$17,736,514	\$6,101,887		\$23,881,444	\$331,687	100.0%	\$17,736,514	\$6,101,887

Site Plan:



Renderings:







Helena AHTF – Project Underwriting Review Memo - Update 2/4/2024

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	72		
Total Project Size (\$)	\$23.9M		
AHTF \$ Requested	\$800,000 permanent loan		
AHTF \$ Per Unit	\$6,250 permanent loan		
Beneficiaries (AMI class)	12 at <30% AMI, 24 at <60%AMI, 36 at <70% AMI		
Proposed Completion Date	Sept 2024 LIHTC closing and start of construction September 2025 Phase 1 occupancy start Jan 2026 Phase 2 occupancy start May 2026 Stabilization June 2026 Tax credit certification and 8609's		
Period of Affordability	35-years		
Applicant points to high interest rates, even with LIHTC and NHTF support, make it 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 Mortgages	\$8,161,688	3.83%	\$402,469
National HTF	\$2,526,194		\$0
Helena AHTF	\$800,000	1.00%	\$8,000
LIHTC Equity	\$10,272,695		\$0
MT Healthcare Initiative	\$500,000	2.00%	\$22,177
Deferred Dev Fee	\$1,685,729	3.00%	\$0
Total Development Cost	\$23,946,306	Total	\$432,646



Helena AHTF – Project Underwriting Review Memo - Update 2/4/2024

Helena AHTF Leveraged Funds:	\$23,146,306	Match Ratio:	28:9
<p>Twin Creek 9 will be financed with Montana Coal Trust Loan of \$474,940, 9% LIHTC equity of \$5,395,945 and a deferred developer fee of up to \$231,001. The developer will also donate up to \$225,000 of developer fee to stay within Montana Housing’s allowed soft cost ratio.</p> <p>Twin Creek 4 construction financing: financed with a Montana Coal Trust Loan of \$8,161,688, 4% LIHTC equity estimated at \$5,060,870, 9% LIHTC equity estimated at \$5,211,825, a \$500,000 Montana Healthcare Foundation Loan, a City of Helena Affordable Housing Trust Fund Loan of \$800,000, National Housing Trust Funds of \$2,526,194, and a deferred developer fee of \$1,685,729.</p> <p>Twin Creek 4 permanent financing: At Stabilization, the short-term bonds, \$200,000 of the HAHTF Loan, and the Bridge to Equity Loan will be paid-off with LIHTC equity. The \$800,000 HAHTF Permanent Loan will remain in place.</p>			
PROJECT FINANCIAL PROJECTIONS			
First Year Information		Amount	
Rents – Per Unit Average			\$15,291
Rents – Total Project			\$1,100,952
Vacancy (7.00%)			(\$77,066)
Rent (net of vacancy)			\$1,023,885
Operating Expense			\$496,176
Replacement Reserve			\$25,200
Income available for Debt Service			\$554,009
Debt Service			\$492,622
Net Cash Flow (Year 1)			\$61,387
Debt Coverage Ratio (Year 1)			1.28
<p>Based on underwriting calculations debt coverage is expected to increase over time starting at a low of 1.28 and increasing to 1.50 by year 18 at the end of the financing term. Financial targets presented that meet Helena AHTF targets and requirements include operating expense minimum, replacement reserves, income, and expense trending. The operating expense per unit estimated of this project is \$6,891, slightly above the maximum allowed per the guidelines of the program’s maximum of \$6,000. The projected operating reserve is above the AHTF target of 4 months of operating costs, reserves, and debt service. This starting DCR is within the program guidelines of the AHTF targets.</p>			
LOAN REQUEST - PERMANENT			
Loan Amount	\$800,000 – this is above the \$400,000 maximum of the guidelines		
Loan Type	Permanent		
Interest Rate	1.00%		
Loan Terms	interest-only with an 18-year term – payment type is not specifically called out in the guidelines to NWMT’s knowledge		
Payment Schedule	\$666.87 per month		
Contingency Requirements	N/A		
Security/Collateral	Subordinate lien on the property		
LOAN REQUEST- CONSTRUCTION			
Loan Amount	\$800,000 – this is below the \$1,000,000 maximum of the guidelines		



Helena AHTF – Project Underwriting Review Memo - Update 2/4/2024

Loan Type	Construction
Interest Rate	1.00%
Loan Terms	Interest-only with 18 year term – above 3 year maximum of the guidelines
Payment Schedule	\$666.87 per month
Contingency Requirements	5%
Security/Collateral	Subordinate lien on the property

PROJECT STRENGTHS AND WEAKNESSES

- Strengths
 - Developer with strong experience, including successful previous project in Helena
 - Responsive to community need and market
 - Strong impact with development of new affordable homes for a range of low-income individual and families
 - Project is in line with many of the requirements of Helena AHTF guidelines with some deficiencies as addressed above
 - Developers are deferring a portion of the development fee and are bringing in multiple sources in order to secure other funding and sources to bring this housing to the city of Helena
 - Developers have underwritten their project with a 7% vacancy rate when the Helena AHTF guidelines allow for 5% based on unit count as well as are including \$350 in funding replacement reserves annually (\$100 higher than requirements)
- Weaknesses
 - Maximum loan amount requested for perm loan is above the maximum amount allowed per current guidelines of the program
 - Operating expenses per unit are slightly above the maximum allowed per program guidelines (\$891 over)
 - Developers are asking for interest only payments on the permanent loan

ADDITIONAL NOTES ON PROJECT FIT WITH TRUST FUND PROGRAM GUIDELINES

The project does bring an array of housing types to the community that would meet the mission of the Trust Fund program. These units range from 30% units to 70% units allowing a large swath of the population of Helena to be housed within the project. The Red Alder Project has similar income targets and has not had its waitlist shrink since it was able to be occupied a few years ago. Tenants will also likely be able to use vouchers at this project, something that is an issue in Helena as the waitlist for a voucher is long – and after getting one, finding a suitable home where you can use it is just as difficult.