

Item Title: Amended Affordable Housing Development Funding for the Trees & Leaves Apartment Project

Specific Action Requested:
That the Board of Commissioners:

1. Approves a revised loan of up to \$5,197,350 in County CIP funds to a to-be-formed North Carolina limited liability company, with Community Revitalization and Preservation Corporation, a North Carolina non-profit corporation and affiliate of DHIC, Inc. (“DHIC”) as a sole member for the acquisition and rehabilitation of a 64-unit apartment complex in Raleigh, subject to terms and conditions acceptable to the County Attorney; and
2. Amends and adjusts the September 17, 2018 funding allocation in the amount of \$5,250,000 from the County CIP Reserve for future projects to DHIC to \$5,197,350; and
3. Authorizes the Chair and/or County Manager to execute any loan documents (including but not limited to a loan agreement, development agreement, right of first refusal, restrictive covenants, etc.) in connection with this transaction, subject to terms and conditions acceptable to the County Attorney; and
4. Authorizes the County Manager to take any future action as may be required under the loan documents or as may be reasonably necessary to consummate the intention of the parties with respect to this transaction.

All awards are contingent upon the basic terms as identified in the project description and the September 17, 2018 Board of Commissioner Approval Item, unless modified herein. Any proposed increase to the loan approval amount or material changes to the loan terms will require Board of Commissioner approval.

Item Summary:

Purpose: The Board of Commissioners approves all real estate transactions associated with affordable housing developments in Wake County.

Background: On or about September 17, 2018, the Board of Commissioners approved a loan, requested by DHIC, through Wake County’s Continuous Call for Affordable Housing Projects up to a maximum amount of \$5,250,000 for the purchase and rehabilitation of the Trees and Leaves apartment complex. As of September 17, 2018, the overall project budget was estimated at \$5,607,350.

Trees & Leaves Apartments is a 64-unit complex located at 1317 Kent Rd. in Raleigh. Forty-eight units house County clients. Trees &

Leaves consists of eight buildings built in 1976. The complex is currently fully leased with a majority of Wake County rental assistance housing program (RAHP) clients.

The units are low-barrier access, reserved by income for households earning at or below 60% Area Median Income (AMI) with a preference for persons in need of permanent supportive housing as referred by Wake County. The County will place full-time case management and tenancy support services on-site through existing positions.

On October 31, 2018 Wake County was informed that DHIC had negotiated a \$400,000 reduction in the purchase price due to property conditions identified during due diligence and revised other estimated project expenses, revenues, and assumptions. As such, the overall project budget has been reduced.

Board Goal: This Board action complements initiatives in the Social and Economic Vitality and Community Health goal areas.

Fiscal Impact: Up to \$5,197,350 in Housing CIP funds will be loaned with recourse limited to the value of the property to acquire, preserve and rehabilitate the affordable housing project. This adjusted funding reflects a cost savings. This funding was appropriated in the fiscal year 2019 budget as part of the \$15 million to increase and preserve affordable housing.

Additional Information:

The Wake County Board of Commissioners (BOC) September 17, 2018 loan approval was based on an application and pro forma submitted by DHIC on behalf of an affiliated ownership entity to be formed by DHIC for the acquisition of the Trees and Leaves apartment complex. Under the project structure, a North Carolina limited liability company, with Community Revitalization and Preservation Corporation, a North Carolina non-profit corporation and affiliate of DHIC, will be formed for the purchase and rehabilitation of the apartment complex (the "Ownership LLC"). DHIC will contract with the Ownership LLC for renovation and rehabilitation of the existing project and evaluation of potential redevelopment of the site.

Since obtaining BOC approval on September 17, 2018, DHIC has entered into a purchase agreement with the current owner of Trees and Leaves. DHIC has conducted site due diligence resulting in a downward adjustment in the purchase price and has made further adjustments to project expenses, revenues, and assumptions. The revised project expenses and projected income are reflected in the amended budget and application attached hereto. These cost savings eliminate the need for a secondary project loan (DHIC loan) as originally anticipated. The County will defer the repayment out of cash flow in the first through third years of the Project, and begin to receive cash flow repayment at a 50/50 split starting in the fourth year of the Project.

All terms and conditions reflected in the BOC’s original approval item dated September 17, 2018, including but not limited to the financial conditions, loan repayment terms, 15 year affordability covenants, and written loan agreements with the County, remain unchanged. The purpose of this Board action is to confirm the commitment to the project and the amended County loan amount.

Budget Reallocation: After amending the reallocation to the DHIC Loan for this Project in a loan amount up to \$5,197,350, the revised appropriation (from the fiscal year 2019 budget) available to support future housing projects will be \$7,626,683.

CIP Reallocation			
Fund 4700: Housing CIP			
Project	Current Appropriation	Amended Reallocation	Revised Appropriation
FROM			
Reserve for Future Projects	7,574,033	52,650	7,626,683
TO			
DHIC, Inc. Loan for Trees & Leaves Apartments	5,250,000	(52,650)	5,197,350

Attachments:

1. Amended Application Summary and Pro Forma