

Item Title: Additional Affordable Housing Funds for The Terrace at Rock Quarry in Raleigh, NC

Specific Action Requested:
That the Board of Commissioners:

- 1. Approves up to \$500,000 in additional financing for the development of The Terrace at Rock Quarry, an affordable senior housing development to be located in Raleigh, NC;**
- 2. Approves an updated unit mix; and**
- 3. Approves a change to the County lien position.**

All funding commitments are subject to terms and conditions acceptable to the County Attorney. Awards are also contingent upon the development receiving local approvals including site plan approval and all necessary permits from the local municipality. In addition, all awards are contingent upon the basic terms as identified in the project descriptions and receipt of funding commitments from other funding partners.

Item Summary:

Purpose: The Board of Commissioners approves all Wake County real estate transactions, including recommended funding commitments for low-income housing tax credits applications.

Background: Wake County routinely considers affordable housing projects to recommend for tax credits. In December 2021, Wake County approved a \$1,500,000 loan to South Creek Development for The Terrace at Rock Quarry, a 132-unit affordable multifamily development for seniors to be located in Raleigh. The terms of the loan are 1.5% interest for 40 years with variable annual debt service payments and a balloon payment at the end of the term. The City of Raleigh committed \$3,150,000 to the development in May 2022. The development was awarded Low-Income Housing Tax Credits in 2021 by the North Carolina Housing Finance Agency.

The developer has requested an additional \$500,000 from Wake County and \$500,000 from the City of Raleigh to cover a gap created by interest rate, construction, and land cost increases. The developer is also increasing the number of units restricted to 30% and 70% of Area Median Income (AMI) to mitigate the cost increases. The County loan will move from second lien position to third lien position. Staff recommends approval of the development changes. The City approved additional funding on August 15th, 2023.

Board Goal: This action supports Community Health and Vitality Goal 5: Create and preserve affordable housing.

Fiscal Impact: The Board previously appropriated funds for Affordable Housing Development Program proposals in the Housing Affordability and Community Revitalization Special Revenue Fund and the Affordable Housing CIP Fund. The Board also appropriated funds for proposals in the American Rescue Plan Fund, with the most recent appropriation on October 17, 2022. Sufficient funding remains available.

Additional Information:

In December 2021, Wake County approved a \$1,500,000 loan to South Creek Development on behalf of the ownership entity to be formed to develop The Terrace at Rock Quarry, a 132-unit affordable multifamily development for seniors to be located in Raleigh. The original loan terms were 1.5% interest for a 40-year term with variable annual debt service payments. Loan terms are not proposed to change.

Prior to the City of Raleigh’s funding commitment, the County loan was in second lien position behind a bank loan. In May 2022, the City of Raleigh approved a \$3,150,000 loan for the property. It is customary for the lien holders to be in position by loan size. The City of Raleigh will move to second lien position with Wake County occupying third position.

In May 2023, South Creek Development requested an additional \$500,000 from Wake County and \$500,000 from the City of Raleigh due to cost escalation. Since the original proposal, the overall development cost has increased \$11.9 million from interest rate, construction, and land cost increases. Additionally, the project's permanent first mortgage interest rate increased from 4.25% to 5.89%, constraining how much additional first mortgage debt can be used to cover cost increases. A table summarizing the sources of funds is below.

The Terrace at Rock Quarry Capital Summary	Funding Amount
Bank (approx.)	\$ 15,930,000
City of Raleigh	\$ 3,650,000
Wake County	\$ 2,000,000
Federal Tax Credit Equity (approx.)	\$ 16,577,094
Deferred Developer Fee	\$ 608,635
Total	\$ 46,964,311

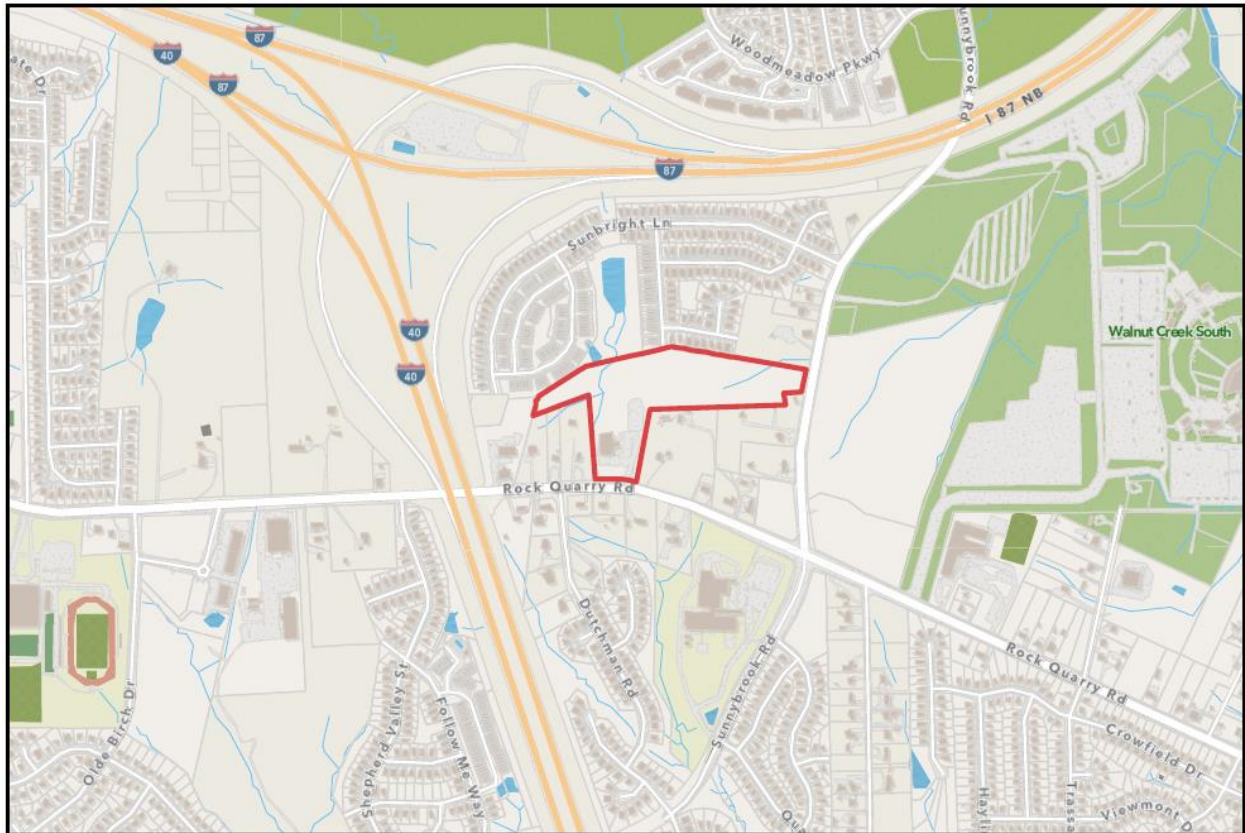
As originally approved, The Terrace at Rock Quarry would serve households earning 50%, 60%, and 70% of the AMI or less. The City of Raleigh required including units serving households earning up to 30% of the AMI to approve their initial loan. To leverage more first mortgage debt and reduce the amount of additional public subsidy required, South Creek Development is updating the affordability mix to reduce the number of units restricted to 60% of the AMI and increase the number of units restricted to 70% of the AMI. The number of units serving households at 30% and 50% of the AMI will remain unchanged. The table below illustrates the affordability mix originally approved by Wake

County and the updated mix proposed by the developer.

4% Development Proposal	Location	Unit AMI Level						Request
		30%	40%	50%	60%	70%	80%	
Terrace at Rock Quarry - Original	Raleigh	0	0	38	56	38	0	\$1,500,000
Terrace at Rock Quarry - Updated	Raleigh	14	0	17	36	59	0	\$2,000,000

Wake County Housing staff have reviewed this funding request and recommend approving the changes. The property will continue to serve very low-income households earning 30% and 50% of the AMI or less. The property will include 26 supportive housing units, including 13 units set aside for Wake County RAHP voucher clients.

A map of the project site for The Terrace at Rock Quarry is below.



Attachments:

None.