

**Item Title:** Subordination of an Affordable Housing Loan for King’s Ridge Apartments in Raleigh, NC

**Specific Action Requested:**

**That the Board of Commissioners approves a subordination request for King’s Ridge Apartments an affordable rental development to be located in Raleigh, NC, subject to terms and conditions acceptable to the County Attorney.**

**Item Summary:**

**Purpose:** The Board of Commissioners approves all Wake County real estate transactions.

**Background:** In 2021, The Board of Commissioners approved a \$4 million loan to CASA to develop King’s Ridge. This 100-unit affordable and permanent supportive housing development will be in Raleigh. CASA anticipates breaking ground on the development in fall 2022. As approved, the County loan would be in second lien position to a loan from the City of Raleigh. The loan term is 40 years at 0% interest, and payment will be deferred until the end of the term. CASA will take an approximately \$3.2 million loan from Self Help, a Community Development Finance Institution, to help address a funding gap resulting from interest rate and construction cost increases. Self Help is requiring that City and the County both subordinate their debt. The County will move from second lien position to third lien position. The terms and repayment of the County loan will not change, and the County Loan will be in full force and effect until 40 years after completion of the development.

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

**Fiscal Impact:** The amount of County funding for this project remains a \$4 million loan.

**Additional Information:**

King’s Ridge will be a 100-unit affordable and permanent supportive housing property located at 200 Michael J. Smith Lane in East Raleigh. In 2021, The Board of Commissioners approved a \$4,000,000 loan at 0% interest to CASA to develop the property. The loan term is 40 years, with payment deferred until the end of the term. As approved, the County’s debt would be in second lien position behind a \$8,464,795 loan from the City of Raleigh. The City of Raleigh’s loan was also 0% interest for 40 years, with payment deferred until the end of the term. Wake County will be providing 10 project-based permanent supportive housing vouchers to the property.

In order to address a financing gap created by interest rate and construction cost

increases, CASA will be taking a \$3,215,315 loan from Self-Help, a Community Development Finance Institution. The Self-Help loan will have annual debt service at 6.0% interest for a 25-year term, with a 40-year amortization. Self Help is requiring the City of Raleigh and Wake County to subordinate their debt to this new loan.

The County loan will move from second to third lien position. There are no other proposed changes to the County loan terms or repayment. If the requested subordination is authorized, Wake County and CASA will close on the County loan in November 2022, and CASA will begin construction with anticipated completion in Fiscal Year 2024. The County Loan will remain in full force and effect until 40 years after completion of King's Ridge.

Staff recommends authorizing the Chair to sign the Subordination Agreement.

**Attachments:**

1. Self Help Loan Term Sheet
2. Draft Subordination Agreement