

Item Title: Affordable Housing Loan Adjustment for New Bern Crossings in Raleigh, NC

Specific Action Requested:

That the Board of Commissioners approves up to \$1,900,000 in additional financing for the development of New Bern Crossings an affordable family housing development located in Raleigh, NC.

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.

Item Summary:

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

Background: On April 19, 2021, Wake County approved a \$2,250,000 loan to Greystone Affordable Housing Development (“Greystone”) on behalf of the ownership entity to be formed to develop New Bern Crossings, a 192-unit affordable housing complex for families located in Raleigh at 3312 New Bern Avenue. On July 28, 2022, Greystone requested an additional \$1,900,000, for a total of up to \$4,150,000 through the Affordable Housing Development Program to fill a financing gap created by the extreme volatility of the supply and demand issues in the construction market. The loan terms will remain 1% interest for a 30-year term with a variable repayment schedule. Housing staff recommends fulfilling this increased request.

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

Fiscal Impact: The Board appropriates funds for Affordable Housing Development Program proposals in the Housing Affordability and Community Revitalization CIP Fund annually, with the most recent appropriation in the FY2022 budget. Sufficient County funding remains available to support Greystone’s request.

Additional Information:

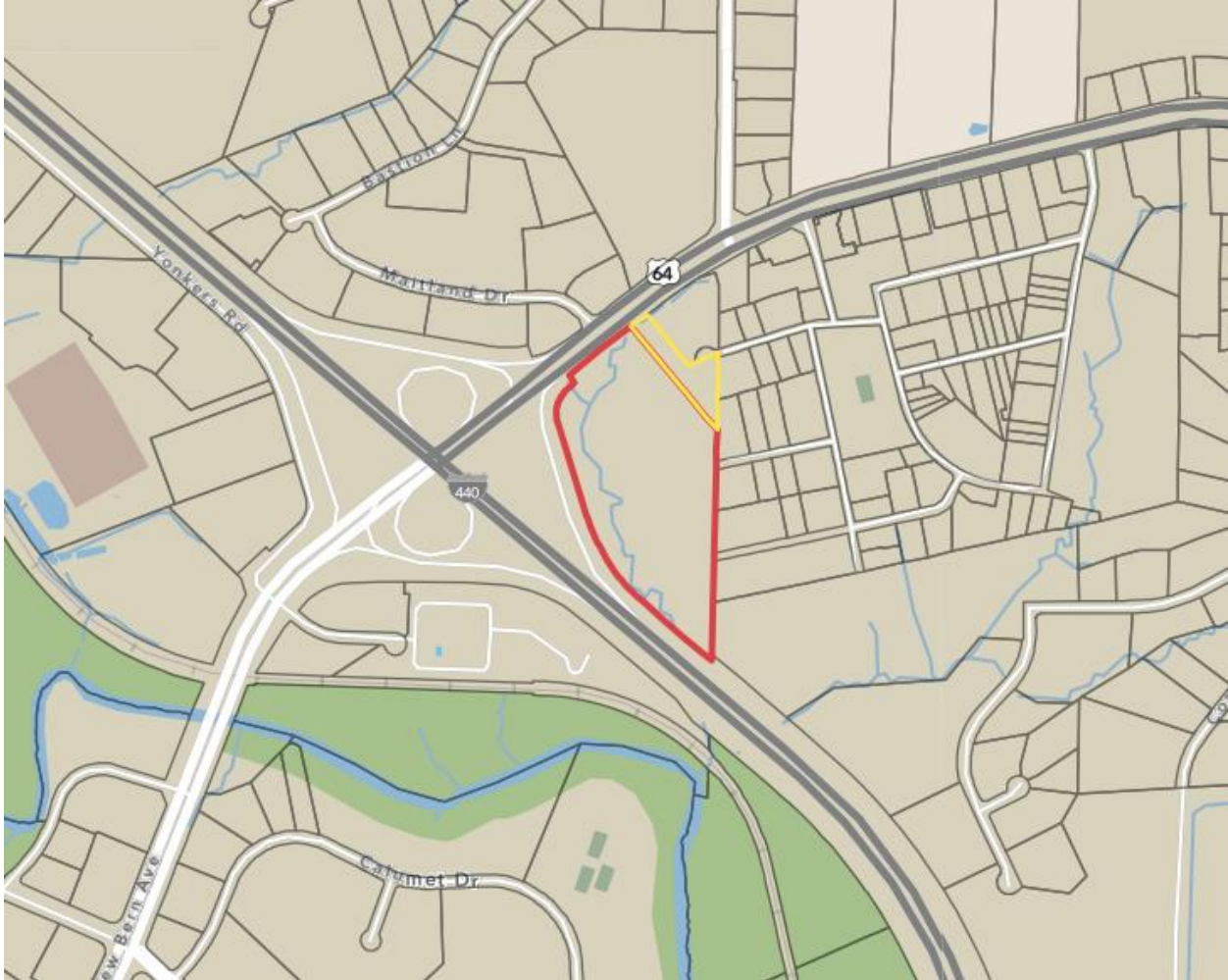
On April 19, 2021, Wake County approved a \$2,250,000 loan to Greystone Affordable Housing Development (“Greystone”) on behalf of the ownership entity to be formed to develop New Bern Crossings, a 192-unit affordable multifamily development for families to be located in Raleigh at 3312 New Bern Avenue. The development will be affordable to families earning 30 percent and 60 percent of the area median income (AMI) or less.

Wake County also committed to providing up to 40 project-based vouchers for supportive housing clients at the property, administered by the Permanent Housing and Supportive Services Division of the Housing Department. The terms of the original loan were 1% interest with a variable repayment schedule over a 30-year term with a balloon payment in year 30. The County loan would be in 3rd lien position with the City of Raleigh loan of \$4.25 million with a bank loan in first lien position.

On July 28, 2022, Greystone requested an additional \$1,900,000 from Wake County through the Affordable Housing Development Program (AHDP) to support the project. The development faces an approximate \$3,844,000 financing gap due to a 44% increase in construction costs since April 2021. Additionally, the development's first mortgage interest rate increased from 3.63% to 5.6%. Greystone has been able to minimize the gap through the following:

- Greystone requested that the City of Raleigh spend \$1,944,000 to purchase the site and enter into a long-term land lease for development;
- The Raleigh Housing Authority is providing an additional \$8 million in bond volume to support the project;
- The development's general contractor has been able to control costs, providing \$710,000 in savings over quotes from the first quarter of 2022;
- An updated market study supports increased rents, which will generate \$335,000 in additional potential rent income annually to support increased first mortgage debt;
- Greystone increased their deferred developer fee \$305,993.

Wake County staff have evaluated the revised pro forma and determined the project to be financially feasible under these new conditions, assuming additional financing from the County and site acquisition by the City of Raleigh. Raleigh Housing and Neighborhoods staff will present the land purchase to City Council at the September 6th meeting. The additional financing will allow the County's flagship permanent supportive housing project to move forward. The terms of the County loan will remain 1% interest for 30 years with a variable repayment schedule and balloon payment in year 30. Wake County Housing staff recommends providing the additional financing to support New Bern Crossings.



Approximate funding sources are illustrated in the table below. The City of Raleigh’s land purchase is excluded from the table as it is not a permanent source of funding.

New Bern Crossings Lender Summary	Funding Request
Bank (approx.)	\$ 20,400,000
City of Raleigh	\$ 4,250,000
Wake County AHDP	\$ 4,150,000
Federal Tax Credit Equity (approx.)	\$ 17,703,265
Deferred Developer Fee	\$ 785,939
Total	\$ 44,289,204

Attachments:

1. Gap Funding Request