

Item Title: Subordination of an Affordable Housing Loan for Silver Spring Apartments in Zebulon, NC

Specific Action Requested:

That the Board of Commissioners approves a subordination request for Silver Spring Apartments, an affordable rental development located in Zebulon, 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 2000, The Board of Commissioners approved a \$300,000 loan to Evergreen Construction Company on behalf of the ownership entity, Silver Spring Housing Associates, LLC, to develop Silver Spring Apartments, a 33-unit affordable senior development in Zebulon, NC. The County loan balance is currently \$110,000. The owner is refinancing and consolidating the first and second mortgages on the property into one loan from North State Bank, which requires that the County subordinate its debt. The County will move from third lien position to second 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 2033. Silver Spring Apartments will continue to operate as an affordable rental property for seniors.

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

Fiscal Impact: The County will not be contributing additional funding. No new County debt will be issued, and annual debt service payments will remain consistent.

Additional Information:

Silver Spring Apartments is a 33-unit affordable senior property located at 601 Pony Road in Zebulon, NC. In 2000, The Board of Commissioners approved a \$300,000 loan at 2% interest to Evergreen Construction Company on behalf of the ownership entity, Silver Spring Housing Associates, LLC, to develop the property. The current balance is \$110,000. The County's debt is in third position behind a bank first mortgage loan and a RPP loan from the North Carolina Housing Finance Agency (NCHFA).

The owner is refinancing and consolidating its first and second mortgage debt on the property into one \$537,000 loan from North State Bank. North State Bank requires that the County subordinate its debt to the new first mortgage. The owner is current on their

loan payments to the County. There will be no changes to the County loan terms or repayment schedule. The County will move from third to second lien position. The County Loan will remain in full force and effect until 2033.

The tables below illustrate the changes to the sources of funding and annual debt service payments upon refinance.

**Silver Spring Apartments Debt
Current**

Source	Amount	Balance	Annual Debt Service
First Mortgage	\$300,000	\$199,817	\$27,204
RPP Loan	\$322,975	\$297,849	\$6,000
Wake County	\$300,000	\$110,000	\$10,000

**Silver Spring Apartments Debt
Refinanced**

<i>Source</i>	<i>Amount</i>	<i>Balance</i>	<i>Annual Debt Service</i>
First Mortgage	\$537,000	\$537,000	\$31,860
Wake County	\$300,000	\$110,000	\$10,000

Staff recommends authorizing the Chair to sign the Subordination Agreement.

Attachments:

1. Draft Subordination Agreement
2. North State Bank LOI