

**Item Title:** Affordable Housing Loan Lien Position Change for Madison Glen Apartments in Raleigh, NC

**Specific Action Requested:**  
**That the Board of Commissioners:**

- 1. Approves a lien position change for County debt in Madison Glen Apartments in Raleigh, NC; and**
- 2. Authorizes the Chair to execute subordination agreements and all documents necessary to modify the Wake County loans.**

**All lien position changes and loan modifications are 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 January 2023, the Board of Commissioners approved consolidating and refinancing existing Wake County loans in two properties developed and owned by DHIC, Madison Glen Apartments in Raleigh, NC and Highland Village Apartments in Cary, NC. At that time, the Board of Commissioners also authorized the Board Chair to execute subordination agreements and all other documentation necessary to modify the County loans. The restructuring would support a portfolio-wide rehabilitation for which DHIC had been approved for a tax-exempt bond issuance. As approved, the loans for Madison Glen and Highland Village would be modified or re-issued at 1% interest for 30 years with variable annual payments and a balloon at the end of the term. DHIC also agreed to set aside 10% of the units in each property for Wake County Rental Assistance Housing Program (RAHP) voucher clients.

As approved, the consolidated County debt in Madison Glen Apartments would be in the fourth lien position during the construction and permanent phases. The City of Raleigh approved additional gap financing for the project that will require Wake County to subordinate its debt during the construction and permanent phases. If approved, the Wake County loan would be in fifth lien position during the construction and permanent phases. Staff recommend approving this lien position change.

**Strategic Plan:** This action supports Community Health and Wellbeing Goal 1: Create and preserve 2,500 affordable housing units by 2029.

**Fiscal Impact:** The County will not be contributing additional funding.

**Additional Information:**

In 1999, Wake County approved a \$600,000 loan to DHIC to develop Madison Glen Apartments, a 120-unit affordable rental development for families in Raleigh, NC. Loan terms were 0% interest for 30 years with variable monthly payments and a balloon payment due in January 2025. The loan has a current balance of \$280,632.

Fifty (50) units at the property serve households earning up to 60% of the area median income (AMI), and 70 units are unrestricted. In November 2022, DHIC was approved for a \$36 million tax-exempt bond issuance to renovate and preserve 374 units across its portfolio, including all of the units at Madison Glen, and was approved for 4% Low Income Housing Tax Credits from the North Carolina Housing Finance Agency (NCHFA) in June 2023. DHIC will close on financing for the portfolio rehabilitation and begin work in October or November of 2024. Upon completing rehabilitation through the LIHTC program, all of the units at the property will serve households earning up to 60% of the AMI.

The following tables illustrate the sources of funding for Madison Glen upon refinancing of the County debt in the construction and permanent phases. The numbers in the tables are approximate. If approved, Wake County would be in the fifth lien position behind the City of Raleigh during the construction and permanent phases.

**MADISON GLEN APARTMENTS - CONSTRUCTION**

<i>Funding Source</i>	<i>Amount</i>
First Mortgage (Citibank)	\$10,135,000
City of Raleigh I	\$1,440,000
NCHFA Loan	\$693,397
City of Raleigh II	\$596,496
<b>Wake County</b>	<b>\$280,632</b>
DHIC Note	\$431,408
Seller Note	\$7,250,604
Deferred Developer Fee	\$257,759
LIHTC Equity	\$6,407,761
Project Reserves	\$645,309
Project Operations	\$741,876
Tax Exempt Bonds	\$14,923,000
<b>Total</b>	<b>\$43,803,242</b>

**MADISON GLEN APARTMENTS - PERMANENT**

<i>Funding Source</i>	<i>Amount</i>
First Mortgage (Citibank)	\$10,135,000
City of Raleigh I	\$1,440,000
NCHFA Loan	\$693,397
City of Raleigh II	\$596,496
<b>Wake County</b>	<b>\$280,632</b>
DHIC Note	\$431,408
Seller Note	\$7,250,604
Deferred Developer Fee	\$257,759
LIHTC Equity	\$6,407,761
Project Reserves	\$645,309
Project Operations	\$741,876
<b>Total</b>	<b>\$28,880,242</b>

Federal funding requires the County to utilize Area Median Income (AMI) as a key affordable housing metric to determine program or project eligibility. AMI is defined as the midpoint of a specific area's income distribution. Wake County utilizes the Raleigh Metropolitan Statistical Area (MSA) as the geographical area, identified by the Census Bureau. AMI is updated annually by HUD utilizing American Community Survey (ACS) data and other sources. The specific methodology can be found online at [www.huduser.gov](http://www.huduser.gov).

**Attachments:**

None.