

Item Title: Second Round 2024 Tax Credit Recommendations and Affordable Housing Development Program (AHDP) Loans to Develop Affordable Multifamily Rental Housing

Specific Actions Requested:

That the Board of Commissioners approves the following loan recommendations for 2024 North Carolina Housing Finance Agency Low Income Housing Tax Credit Applications, with funds up to the amounts indicated from federal HOME, CDBG, or County CIP for:

Affordable family housing developments including:

- 1. \$3,360,000 for Moore Square Apartments in Raleigh, NC**
- 2. \$3,000,000 for Maple Ridge Apartments in Raleigh, NC**
- 3. \$3,000,000 for Strickland Apartments 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, all necessary permits from the local municipality and an award of tax credits from the NC Housing Finance Agency. All awards are contingent upon the basic terms as identified in the project descriptions, including funding commitments from the financial partners as identified.

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: Annually, the County advertises a Request for Proposals (RFP) to provide gap financing to developers for the production and preservation of affordable housing. This Affordable Housing Development Program (AHDP) leverages Federal, State, and local funding, as well as low-income housing tax credits. Wake County recommends funding commitments for qualified proposals which are then submitted by developers to the NC Housing Finance Agency for competitive tax credit awards.

Since the adoption of the Wake County 20-year Comprehensive Affordable Housing Plan, staff has modified the RFP to reflect community priorities and develop strong proposals more likely to be funded by the limited and competitive NC Housing Finance Agency tax credit process. These efforts have led to an increase in financed housing units, more units targeting the less than 50% AMI population, more supportive housing units, and improved coordination with developers, municipalities, and other partners.

Wake County will accept applications for 4% LIHTC projects in January, June, and September. Five applications were received at the June application deadline totaling \$17,780,000 in total gap funding request. After evaluating the proposals and considering funding availability to support projects, staff recommend committing up to \$9,360,000 to fund three developments totaling 454 new units of affordable rental housing. Developers receiving final funding commitments will move forward to submit a final application to the NC Housing Finance Agency for tax credit award in October 2024.

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

Fiscal Impact: The Board previously appropriated funds for AHDP proposals in the Housing Affordability and Community Revitalization Special Revenue Fund and the Housing Affordability and Community Revitalization CIP Fund. Funding will also be included from both funds as part of the annual budget process.

Additional Information:

RFP Process Description

The Housing Department released the affordable housing RFP in December 2023 with second round 4% LIHTC funding applications due June 2, 2024. The County received five proposals in this second round. All applications were scored and ranked by housing staff, with support from other County departments including Internal Audit and coordination with the City of Raleigh which will also be recommending funding approvals at the September 17th City Council meeting. Staff recommend awarding funding to three of the five 4% developments. All recommended projects met the County's minimum scoring threshold criteria and were determined to be responsive and responsible.

Sunnybrook Glen, a 98-unit senior development proposal to be in Raleigh, did not meet the County's scoring threshold to be recommended for funding. The Pointe at Town Center, a 192-unit family development to be in Raleigh, met the County's scoring threshold for funding but the City and County do not have sufficient resources to make an award after accounting for higher-ranking proposals. Wake County and the City of Raleigh are continuing conversations with the development team for this project around potential future applications.

The five proposals originally requested \$17,780,000 in gap financing from the County. After negotiating best and final offers and receiving updated pro formas for the remaining proposals being recommended for funding, County gap financing loans, if approved, would total \$9,360,000. These funding commitments would support the development of 454 new affordable rental units.

The following chart summarizes the proposals.

Project (4% LIHTC)	Location	Type	Total Units	Wake County Loan	Loan Request per Unit
Moore Square by Harmony Housing	Raleigh	Family	160	\$3,360,000	\$21,000
Maple Ridge by South Creek	Raleigh	Family	146	\$3,000,000	\$20,548
Strickland Apartments by Oppidan	Raleigh	Family	148	\$3,000,000	\$20,270
Total			454	\$9,360,000	\$20,617*

*Average Loan Request Per Unit

All recommended applications were responsive and responsible, and met the County's threshold requirements of a complete application. The applications contain units which are either affordable to seniors or families who earn at or below 50% of Area Median Income (AMI), maintain a debt coverage ratio of at least 1.15 for the term of the loan, are in Wake County, have site control, and have units designated for permanent supportive housing. Once threshold requirements are met, each application is scored based on the following project evaluation criteria:

Criteria	Points
1) Project Viability	
a) Financial Feasibility	30
b) Development Quality	10
c) Development & Management Team	10
2) Wake County Policy Goals	
d) Target Populations	10
e) Deeper Affordability Targeting	30
f) Location	10
TOTAL	100

During the FY 2019 budget process, Wake County Board of Commissioners approved a historic \$15 million annual investment to fund affordable housing initiatives included in the 20-year, Comprehensive Affordable Housing Plan. In addition, Wake County has been able to leverage one-time American Rescue Plan Act (ARPA) and Emergency Rental Assistance (ERA) funds from Treasury. Finally, remaining funds from previous commitments and funds made available from 9% proposals that did not receive awards from NCHFA allow Wake County to make this round of awards.

Developments Recommended for Funding

One of the goals of the AHDP RFP process is to prioritize affordability at levels above what is required by the NC Housing Finance Agency Qualified Allocation Plan (QAP) for tax credit developments. Wake County offered funding proportionate to the level of affordability in each unit to produce additional units serving households at lower AMI

levels. Proposed developments and their income targeting are presented in the tables below.

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.

9% Development Proposals	Location	Unit AMI Level							Request
		20%	30%	40%	50%	60%	70%	80%	
Moore Square Apartments by Harmony Housing (family)	Raleigh	-	24	-	32	72	-	32	\$3,360,000
Maple Ridge Apartments by South Creek (family)	Raleigh	8	8	-	25	28	77	-	\$3,000,000
Strickland Apartments by Oppidan (family)	Raleigh	8	8	-	-	92	40	-	\$3,000,000
Total		16	40	-	57	192	117	32	\$9,360,000

Every proposed development has a weighted average affordability of less than 60% of the AMI. An additional goal is to increase access to quality affordable housing units for vulnerable individuals in need of permanent supportive housing. Wake County's RFP requires that at least 10% of every development's units be set aside for the County's rental assistance program. The table below shows the number of supportive units, as well as the proposed rents ranges for all units in each development.

4% Development Proposals	Location	Supportive Units			Proposed Rent
		Wake	Other	Total	
Moore Square Apartments	Raleigh	16	16	32	\$568 - \$2,258
Maple Ridge Apartments	Raleigh	15	15	30	\$299 - \$1,868
Strickland Apartments	Raleigh	15	15	30	\$337 - \$1,725
Total		46	46	92	

Staff recommends funding three developments totaling 454 new units of affordable housing to be in Raleigh.

Funding Source	Current Available
Housing CIP	\$3,172,228.34
HOME	\$2,137,256.78
CDBG	\$300,000.00
ERA2	\$5,500,019.55
Total Funding	\$11,109,504.67

Descriptions of Project Proposals

Moore Square Apartments by Harmony Housing Affordable Development

Harmony Housing Affordable Development (HHAD) has requested funding of up to \$3,360,000 on behalf of the ownership entity to be formed for the construction to permanent financing of Moore Square Apartments which is a proposed 160-unit affordable housing complex for families to be in Raleigh at 319 East Martin Street. The development site is owned by the City of Raleigh and will be leased to the developer for at least 75 years. The developer is partnering with Families Together to provide on-site service coordination, and 10% of the units or 16 units will be set-aside for Wake County's permanent supportive housing voucher clients.

County loan terms consist of 1.0% interest during construction and 1.0% on the permanent loan with variable annual repayment for a 30-year term and a balloon payment at the end of the term. As underwritten, the County loan is estimated be repaid at year 20. During construction Wake County would hold fourth lien position behind a bank loan, an equity bridge loan, and a loan from the City of Raleigh. In the permanent phase, Wake County would hold third lien position with a bank loan in first lien position and the City of Raleigh in second lien position. Approximate permanent phase funding sources are illustrated in the table below.

Moore Square Lender Summary	Funding Request
Bank (approx.)	\$ 18,909,000
City of Raleigh	\$ 15,700,000
Wake County AHDP	\$ 3,360,000
Federal LIHTC Equity (approx.)	\$ 19,580,422
Deferred Developer Fee	\$ 1,020,192
Renewable and Energy ITC Equity	\$ 229,222
Bond Investment Proceeds	\$ 2,837,419
Total	\$ 61,636,255

Maple Ridge by South Creek Development

South Creek Development has requested funding of up to \$3,000,000 on behalf of the ownership entity to be formed for the construction and permanent financing of Maple Ridge which is a proposed 146-unit affordable housing complex for families to be located at 500 Rawls Drive in Raleigh.

County loan terms consist of 1.0% interest during construction and 1.5% on the permanent loan for a 40-year term with variable annual repayments and a balloon payment at the end of the term. During construction and in the permanent phase, Wake County would hold third lien position behind a bank loan and a loan from the City of Raleigh. Approximate permanent funding sources are illustrated in the table below.

Maple Ridge Lender Summary	Funding Request
Bank (approx.)	\$ 19,188,000
City of Raleigh	\$ 3,100,000
Wake County AHDP	\$ 3,000,000
Federal Tax Credit Equity (approx.)	\$ 18,326,257
Deferred Developer Fee	\$ 900,697
Total	\$ 44,514,954

Strickland Apartments by Oppidan

Oppidan has requested up to \$3,000,000 on behalf of the ownership entity to be formed for the construction to permanent financing of Strickland Apartments which is a proposed 148-unit affordable housing complex for families to be located at 13120 Strickland Road in Raleigh.

County loan terms consist of 1.0% interest during construction and 1.25% interest on the permanent loan with variable annual repayment and a balloon payment at the end of the 30-year term. During the construction phase Wake County would hold fourth lien position behind a tax-exempt construction loan, a taxable construction loan, and a loan from the City of Raleigh. During the permanent phase Wake County would hold third lien position behind a bank first mortgage and a loan from the City of Raleigh. Approximate permanent funding sources are illustrated in the table below.

Strickland Apartments Lender Summary	Funding Request
Bank (approx.)	\$ 20,325,005
City of Raleigh	\$ 4,000,000
Wake County AHDP	\$ 3,000,000
Federal Tax Credit Equity (approx.)	\$ 12,432,437
Deferred Developer Fee	\$ 1,589,403
Total	\$ 41,346,845

Attachments:

1. Presentation
2. Location Map