

**Item Title:** Affordable Housing Development Funding for a Scattered-Site Rental Development from Southeast Raleigh Promise in Raleigh, NC

**Specific Action Requested:**

**That the Board of Commissioners approves a loan of up to \$1,000,000 to support the development of 27 scattered-site affordable rental units in Raleigh.**

**All funding commitments are subject to terms and conditions acceptable to the County Attorney. Awards are contingent upon receiving local development approvals. All awards are also contingent on the basic terms as identified in the project description, including funding commitments from financial partners and capital campaign contributions as identified.**

**Item Summary:**

**Purpose:** The Board of Commissioners approves all Wake County real estate transactions. And, in accordance with the North Carolina Local Government Budget and Fiscal Control Act, the Board of Commissioners must approve all amendments that increase the budget for a fund.

**Background:** Annually, the County advertises a Request for Proposals (RFP) to provide gap financing to developers for the production and preservation of affordable housing. The Affordable Housing Development Program (AHDP) leverages Federal, State, and local funding.

On March 10, 2022, Southeast Raleigh Promise (SERP) and its development partner, Urban Trends, Inc. submitted a request to Wake County for \$1.5 million to support the development of 27 scattered-site affordable rental units on City-owned lots in Raleigh. The development will provide one, two, and three-bedroom units for families earning 30%, 60%, or 80% of the area median income (AMI) or less.

SERP also requested \$1.5 million and the use of City-owned land from the City of Raleigh, which was approved by City Council on June 14, 2022, with the possibility of increasing funding to \$2.0 million. SERP will build these units on seven (7) City-owned lots in Southeast Raleigh with a 40-year land lease, during which time the units will remain affordable. County Housing staff recommend awarding a \$1.0 million loan to support the development of these units.

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

**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 of these funds as part of the annual budget process.

### **Additional Information:**

The Housing Affordability and Community Revitalization Department released the Affordable Housing Development Program (AHDP) RFP in December 2021 with applications for non-tax credit proposals open until December 2022. Commitments for recommended proposals allow developers to seek additional financial support from other partners including governments, banks, and philanthropic organizations.

On March 10, 2022, Southeast Raleigh Promise (SERP) and its development partner, Urban Trends, Inc. submitted a request for \$1.5 million to support the development of 27 scattered-site affordable rental units in Raleigh. SERP and Urban Trends simultaneously submitted a request for \$1.5 million to the City of Raleigh and to lease seven (7) City-owned infill sites in Southeast Raleigh. Staff evaluated the proposal and deemed it responsive and responsible to meet the County's threshold requirements of a complete application. The applications contain units which are affordable to families who earn at or below 50% of Area Median Income (AMI), maintains a debt coverage ratio of at least 1.15 for the term of the loan, is in Wake County, and has units designated for clients of the County's Rental Assistance Housing Program (RAHP) voucher program.

The proposed scattered-site development will provide one, two, and three-bedroom units for families earning 30%, 60%, or 80% of the area median income (AMI) or less. Units will be a mix of single-family homes, accessory dwelling units (ADUs), duplexes, and townhomes. These units will create long-term affordable housing in a Raleigh neighborhood experiencing rapid price increases, allowing very low- to moderate-income families to live in proximity to amenities, transit, and employment opportunities. The tables below illustrate the parcel addresses, building type mix, and income restriction mix.

### **Locations and Unit Types**

Site Address	# Units	Unit Types
111 E. Lee Street	3	Duplex, ADU
116 E. Lee Street	3	Duplex, ADU
1102 S. Person Street	1	Single-Family Home
Gregg Street Cluster	12	Duplex (4), ADU (4)
1000 Gregg Street	4	Townhome
902 Edenton	2	Single-Family Home, ADU
911 Edenton	2	Duplex

**Income Distribution by Unit Size**

Unit Size	30% AMI	60% AMI	80% AMI	Total	% of Total
1BR	7	0	0	7	26%
2BR	3	4	7	14	52%
3BR	0	0	6	6	22%
Total Units	10	4	13	27	100%
% of Total	37%	15%	48%	100%	

Raleigh City Council approved a \$1.5 million forgivable loan and use of City-owned land for the proposed development on June 14, 2022. The recommendation to City Council included increasing funding to \$2.0 million should other funding sources fall through. SERP and Urban Trends will lease the land from the City for 40 years, with an option to extend for an additional 10 years, during which time the properties must remain affordable.

The \$1.5 million request to Wake County equals \$55,000 per unit, well beyond the County's typical subsidy for affordable developments. However, SERP has an experienced development partner in Urban Trends, and the proposal includes an attractive and neighborhood-compatible design. Pro forma analysis indicates that the development is financially viable while providing deeply affordable units near downtown Raleigh.

Staff recommend awarding \$1.0 million in funding to support this development, as the City of Raleigh will be able to bridge the gap. The estimated total cost of the project is \$7,217,332. The table below illustrates the sources of funding that are being used for this project, assuming a \$1.0 million County contribution and a \$2.0 million City of Raleigh contribution.

<b>SERP and Urban Trends Financing Summary</b>	<b>Funding Sources</b>
First Mortgage	\$ 3,311,932
City of Raleigh	\$ 2,000,000
<b>Wake County (staff recommended)</b>	<b>\$ 1,000,000</b>
Subordinate Loan – LIIF PBC Fund	\$ 500,000
Deferred Developer Fee	\$ 405,400
<b>Total</b>	<b>\$ 7,217,332</b>

Wake County will be in the third lien position. The loan will be 0.5% interest with annual debt service payments for 30 years.

**Attachments:**

1. Site Map and Renderings