

Item Title: Multi-Family Affordable Housing Development Loans

Specific Action Requested:

That the Board of Commissioners approves the following loans:

- 1. Up to \$680,000 in Federal HOME, County CIP and/or HOPWA funds for Pine Trace Apartments, an affordable senior housing development in Wake Forest, NC;**
- 2. Up to \$1,000,000 in Federal HOME, County CIP and/or HOPWA funds for Zebulon Green, an affordable family housing development in Zebulon NC;**
- 3. Up to \$640,000 in Federal HOME, County CIP and/or HOPWA funds for Isles of Wake, an affordable senior housing development in Wake Forest, 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. In addition, 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:

Annually, Wake County's Housing and Community Revitalization (HCR) program distributes a Request for Proposals (RFP) to produce and preserve affordable housing units. The program leverages funds from the County Capital Improvement Plan (CIP), Federal U.S. Department of Housing and Urban Development (HUD), and Low Income Housing Tax Credits (LIHTC). This program enables higher production and preservation of subsidized affordable housing throughout the community and addresses five of the Board of Commissioners' seven goal areas. Since these loans are considered real estate transactions, financial commitments must be approved by the Board of Commissioners.

This year's RFP was released in January 2018 with applications due back on February 9, 2018. Following feedback received through the 20-year, Comprehensive Affordable Housing Plan process, the County made enhancements to the RFP, scoring criteria and negotiation process. The following modifications were made to the 2018 process:

- 1) Updated the Request for Proposals by:
 - Subdividing the review criteria into two groups: Project Viability and Policy Goals
 - Decreasing the Energy Star value by 5 points and Location value by 10 points

- Added an Affordability Targeting point value of 15 to prioritize units that offer a portion of the total units at or below 40% (9% projects) and at or below 50% (4% projects)
- 2) Created an objective scorecard
- 3) Completed a robust financial analysis
- 4) Performed developer engagement and negotiation
- 5) Requested that 10% of total units be reserved for Wake County Permanent Supportive Housing (PSH) voucher holders

Below are key criteria in Wake County's selection of a project applicant for award:

1) Project Viability

- a) Financial Feasibility: Probability of project successfully closing;
- b) Development Quality: Quality of the proposed improvements;
- c) Development & Management Team: Financial strength, experience, and capabilities of the developer; ability of applicant to repay County loan with the minimum repayment terms; capabilities of project property manager;

2) Wake County Policy Goals

- d) Affordability Targeting: Population served i.e. household AMI targeting and special needs populations;
- e) Location: Location of project site near public transit, schools, and other community amenities, and not within close proximity to a large existing development of affordable housing;
- f) Special Needs Units
- g) Energy Star

Project Evaluation Criteria and Scoring

Criteria	Points
1) Project Viability	
a) Financial Feasibility	30
b) Development Quality	10
c) Development & Management Team	10
2) Wake County Policy Goals	
d) Affordability Targeting	15
e) Location	15
f) Special Needs Units	15
g) Energy Star	5
TOTAL	100

Wake County received six applications in response to the RFP. The County reviewed all six applications with participation from staff in Wake County Housing & Community Revitalization, Facilities, Design & Construction, the Planning Department, and the County Manager's Office, as well as consultation by HR&A Advisors. Staff from Budget, Finance, and Revenue assisted in vetting the applications. The applications were scored and ranked by the County review team.

All applications met the County's threshold requirements of a complete application, are affordable to seniors and families who earn at or below 40% of Area Median Income (AMI), maintain a debt coverage ratio of at least 1.15 for the term of the loan, are located in Wake County, have site control and appropriate zoning, and have supportive services. While all applications are required to have units at 60% AMI and below for North Carolina Housing Finance Agency (NCHFA) LIHTC funding, 60% AMI in Wake County is just under market rental rates. Therefore, units targeted to lower incomes are in higher demand. The AMI for Wake County is currently \$67,440 for a family of two.

The following chart summarizes each project.

Project (LIHTC 9%/4%)	Location	Type	Total Units	Supportive Units			Wake County Loan	Loan Request per Unit
				Wake	NCHFA /Other	Total (%)		
Pine Trace by Woda (9%)	Wake Forest	Elderly	68	7	7	14 (20%)	\$680,000	\$10,000
Zebulon Green by United (9%)	Zebulon	Family	72	7	8	15 (21%)	\$1,000,000	\$13,889
Isles of Wake by Gardner/Halcon(9%)	Wake Forest	Elderly	64	6	7	13 (21%)	\$640,000	\$10,000
Beacon Ridge by DHIC (4%)	Raleigh	Family	120	6	6	12 (10%)	\$2,477,000	\$20,642
Pennington Grove by DHIC (9%)	Garner	Elderly	60	3	6	9 (15%)	\$1,050,000	\$17,500
Hampton Spring by Evergreen (9%)	Raleigh	Elderly	56	0	6	6 (11%)	\$540,000	\$9,643
Total			440	29	40	69	\$6,387,000	\$14,516

After the applications were reviewed, scored and ranked by staff, they were presented to and reviewed by the Affordable Housing Advisory Committee on April 19, 2018. The Housing Committee supported staff's score and ranking recommendations.

A total of approximately \$3 million was made available in the FY18 and FY19 affordable housing budget to fund the developments. The developments were scored based on the review criteria. Because the total funding requests exceed the funds available, the three highest ranked developments will be recommended. These developments provided the best financial terms, quality, affordability and special needs focus. The review team also determined the top three ranked developments are the most competitive to receive funding through the NCHFA LIHTC program.

Developments Recommended for Funding:

Project	Location	Units				Supportive Units			Request	Proposed Rent & Utility
		30%	40%	50%	60%	Wake	Other	Total		
Pine Trace by Woda	Wake Forest	17	0	11	40	7	7	14	\$680,000	\$449 - \$1,078
Zebulon Green by United	Zebulon	19	0	10	43	7	8	15	\$1,000,000	\$450 - \$978
Isles of Wake by Gardner Capital	Wake Forest	16	0	10	38	6	7	13	\$640,000	\$451 - \$1,083
Total		52	0	31	121	20	22	42	\$2,320,000	

Pine Trace by the Woda Group

This senior development is located in Wake Forest on Durham Rd (Hwy 98) near the intersection of Capital Blvd. The loan terms requested are 1% interest for the amortized, permanent loan with a 30-year term. Wake County would hold a third lien position, as conventional lenders (banks) generally need to be in first lien position and will not subordinate to public lenders. The lender summary and total leveraged funds are below.

Pine Trace Lender Summary	Funding
Bank(approx.)	\$ 2,480,000
Wake County	\$ 680,000
NCHFA RPP	\$ 800,000
Workforce Housing Loan Program	\$ 250,000
Federal Tax Credit Equity (approx.)	\$ 7,111,000
Deferred Developer Fee	\$ 22,888
Total Leveraged Funds	\$ 11,116,620

In addition, the development will add varying levels of affordability summarized below. Seven of the units will be targeted to persons with disabilities or who are homeless. An additional seven units will be reserved for Wake County PSH voucher holders. Pine Trace submitted a request for rezoning to the Town of Wake Forest and received unanimous approval. The Town has raised no concerns in regard to this development. The Woda Group expects construction to be complete before December 31, 2020.

Pine Trace Affordability Summary	Units	Two Person Household Income	Proposed Rent & Utility for 1 or 2 Bedroom
30% Area Median Income	17	\$20,250	\$449 - \$538
50% Area Median Income	11	\$33,750	\$749 - \$838
60% Area Median Income	40	\$40,500	\$899 - \$1,078
Total	68		

Zebulon Green by United Developers, Inc.

This family development is located in Zebulon on Pony Road near the intersection of Hospital Road and West Gannon Avenue. The loan terms requested are 2% interest for the permanent loan with a 30-year term. Wake County would hold a second lien position, as conventional lenders (banks) generally need to be in first lien position and will not subordinate to public lenders. The lender summary and total leveraged funds are below.

Zebulon Green Lender Summary	Funding Request
Bank (approx.)	\$ 2,125,000
Wake County	\$ 1,000,000
NCHFA RPP	\$ 800,000
Federal Tax Credit Equity (approx.)	\$ 7,191,620
Total Leveraged Funds	\$ 11,116,620

In addition, the development will add varying levels of affordability summarized below. Eight of the units will be targeted to persons with disabilities or who are homeless. An additional seven units will be reserved for Wake County PSH voucher holders. The Town has raised no concerns in regard to this development. United Developers, Inc. expects construction to be complete before December 31, 2020.

Zebulon Green Affordability Summary	Units	Two Person Household Income	Proposed Rent & Utility for 1, 2 or 3 Bedroom
30% Area Median Income	19	\$20,250	\$450 - \$623
50% Area Median Income	10	\$33,750	\$700 - \$918
60% Area Median Income	43	\$40,500	\$750 - \$978
Total	72		

Isles of Wake by Gardner Capital Development II

This senior development is located in Wake Forest on Wake Union Church Road near the intersection of Capital Blvd. The loan terms requested are 1% interest with a 30-year term. Approximately \$515,403 would be repaid over 30 years with the remainder repaid as a balloon payment in year 30. Wake County would hold a third lien position, as conventional lenders (banks) generally need to be in first lien position and will not subordinate to public lenders. The lender summary and total leveraged funds are below.

Isles of Wake Lender Summary	Funding Request
Bank (approx.)	\$ 2,630,000
NCHFA RPP	\$ 800,000
Wake County	\$ 640,000
Workforce Housing Loan Program	\$ 250,000
Federal Tax Credit Equity (approx.)	\$ 8,009,199
Deferred Developer Fee	\$ 34,096
Total Leveraged Funds	\$ 12,363,295

In addition, the development will add varying levels of affordability summarized below. Seven of the units will be targeted to persons with disabilities or who are homeless. An additional six will be reserved for Wake County PSH voucher holders. Isles of Wake submitted a request for rezoning to the Town of Wake Forest and received unanimous approval. The Town has raised no concerns in regard to this development. Gardner Capital Development II expects construction to be complete before December 31, 2020.

Isles of Wake Affordability Summary	Units	Two Person Household Income	Proposed Rent & Utility for 1 or 2 Bedroom
30% Area Median Income	16	\$20,250	\$451 - \$541
50% Area Median Income	10	\$33,750	\$752 - \$902
60% Area Median Income	38	\$40,500	\$903 - \$1,083
Total	64		

Developments Not Recommended for Funding:

While all six developments met the application requirements, available funding only allowed for the three highest ranked developments to be funded. The three lowest ranked developments (below) scored lower in financial terms, quality, affordability and special needs focus, or were determined less competitive to receive funding through the North Carolina Housing Finance Agency (NCHFA) LIHTC program. Those developments are summarized below.

Project	Location	Units				Supportive Units			Request	Proposed Rent & Utility
		30%	40%	50%	60%	Wake	Other	Total		
Beacon Ridge by DHIC	Raleigh	0	0	12	108	6	6	12	\$2,477,000	\$712 - \$1,122
Pennington Grove by DHIC	Garner	15	0	9	36	3	6	9	\$1,050,000	\$451 - \$978
Hampton Spring by Evergreen	Raleigh	14	4	8	30	0	6	6	\$540,000	\$414 - \$803
Total		29	10	23	174	9	18	27	\$4,067,000	

Beacon Ridge, Raleigh by DHIC, Inc.

Beacon Ridge is located in Raleigh on Rock Quarry Road near Interstate 40. Beacon Ridge is part of the SE Raleigh Promise Project. The loan terms requested for the Wake County loan are 1% interest during construction and 1% interest for the permanent loan with a 30-year term. Approximately \$564,979 would be repaid over 29 years with the remainder repaid as a balloon payment in year 30. During construction, Wake County would hold third lien position with a bank construction loan in first lien position and the City of Raleigh loan in second position. In the permanent phase, Wake County would hold third lien position with a bank loan in first lien position and the City of Raleigh loan in second lien position.

Beacon Ridge Lender Summary	Funding Request
Bank(approx.)	\$ 7,585,000
City of Raleigh	\$ 4,557,000
Wake County	\$ 2,477,000
Federal Tax Credit Equity(approx.)	\$ 7,622,191
Deferred Developer Fee(approx.)	\$ 243,847
Total	\$ 22,485,038

Pennington Grove 2 by DHIC, Inc.

Pennington Grove is located in Garner on Pennington Grove Way near the intersection of Aversboro Road and Heather Park Drive. The loan terms requested for the Wake County loan are 1% interest during construction and 1% interest for the permanent loan with a 20-year term. Approximately \$358,638 would be repaid over 20 years; the remainder would be repaid as a balloon in year 20. During construction, Wake County would hold second lien position. A bank construction loan would hold first lien position. In the permanent phase, Wake County would hold a second lien position. A bank loan would hold the first lien position.

Pennington Grove Lender Summary	Funding Request
Bank(approx.)	\$ 775,000
Wake County	\$ 1,050,000
NCHFA RPP	\$ 800,000
Workforce Housing Loan Program	\$ 250,000
Federal Tax Credit Equity(approx.)	\$ 7,206,779
Deferred Developer Fee	\$ 26,706
Total	\$ 10,108,486

Hampton Spring by Evergreen Construction Company

Hampton Spring is located in Raleigh on Buck Jones Road near the intersection with Jones Franklin Road. The loan terms requested for the Wake County loan are 2% interest during construction and 2% interest for the permanent loan with a 30-year term. Approximately \$148,145 would be repaid over 22 years; the remainder would be repaid as a balloon in year 30. During construction, Wake County would hold third lien position. A bank construction loan would hold first lien position and the City of Raleigh would hold second lien position. In the permanent phase, Wake County would hold a third lien position. A bank loan would hold the first lien position and the City of Raleigh would hold second lien position.

Hampton Spring Lender Summary	Funding Request
Bank(approx.)	\$ 1,08,000
Wake County	\$ 540,000
City of Raleigh	\$ 800,000
Workforce Housing Loan Program	\$ 250,000
Federal Tax Credit Equity(approx.)	\$ 5,937,156
Other Investment	\$ 592
Total	\$ 8,607,748

Attachments:

1. Presentation
2. Location Maps
3. Appraisal Summaries
4. Recommended Application Repayment Schedules