

**Item Title:** Re-Subordination and Refinance of Existing Debt in Beechridge I and II Apartments in Apex, NC

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

- 1. Approves a refinance or new mortgage to consolidate the existing County debt for Beechridge I and Beechridge II Apartments in Apex into a new single purpose entity; and**
- 2. Approves the execution of a Subordination of Lender for the new single entity for the purpose of refinancing the primary debt, subject to terms and conditions acceptable to the County Attorney, and**
- 3. Authorizes the Chair to execute the subordination agreement and any other documents necessary to subordinate and amend the loans held by Wake County.**

**Item Summary:**

**Purpose:** The Board of Commissioners approves all Wake County real estate transactions, including ownership transfers of properties that have received loans from the County.

**Background:** In 1995 and 1998, Wake County approved loans of \$530,855 in Federal HOME funds to DHIC, Inc. on behalf of the ownership entity, Beechridge I, LLC and Beechridge II, LLC to develop affordable units. Beechridge I Apartments is a 40-unit affordable housing development and Beechridge II Apartments is a 32-unit affordable housing development, both are located in Apex. These loans were issued as cash flow repayment loans. Neither entity has made repayments on the principal amounts of their respective loans.

DHIC, Inc., on behalf of the ownership entities, is requesting that Wake County consolidate and resubordinate these loans, including accrued interest, in the amount of \$641,520.68 in conjunction with refinancing of the first mortgage and moderate renovation of the properties. The proposed consolidation and subordination will preserve 72 units as affordable for an additional 30 years and will provide an additional 10% units in set-aside as permanent supportive housing.

**Board Goal:** This Board action directly supports the Board's desire to preserve and increase the County's stock of affordable housing. This action also complements housing affordability initiatives in the Social and

Economic Vitality, Community Health, and Education goal areas.

**Fiscal Impact:** The County will not be contributing additional funding. The existing loan terms are cash-flow only, but the restructured loan terms will require the principal and accrued interest to be paid on a fully-amortizing, fixed payment schedule. The County will also increase its lien position on one loan. The County's existing debt in Beechridge I Apartments is in third position, and the County's debt in Beechridge II Apartments is in second position. Upon restructuring and refinancing, the County's debt will be in second position behind a new first mortgage.

**Additional Information:**

In November 1995, Wake County approved a loan of \$216,000 in Federal HOME funds to DHIC, Inc. on behalf of the ownership entity, Beechridge I, LLC, to develop Beechridge I Apartments a 40-unit affordable housing development located in Apex. In February 1998, the County approved a loan of \$314,855 in Federal HOME funds to DHIC, Inc. on behalf of the ownership entity, Beechridge II, LLC, to develop Beechridge II Apartment, a 32-unit affordable housing development located in Apex. These loans, totaling \$530,855, were issued as cash flow repayment loans. Neither Beechridge I, LLC nor Beechridge II, LLC have made repayments on the principal amounts of their respective loans.

The renovation will total \$1,841,087 or approximately \$25,571 per unit. Based on review of a Physical Needs Assessment provided by DHIC, Inc., the scope of renovation appears adequate to address critical repairs and provide updates sufficient to preserve the properties in good condition. The County's debt will be restructured as a fully-amortizing loan with a 30-year term subject to annual debt service payments. The properties have an existing 20% special needs set-aside through the North Carolina Housing Finance Agency (NCHFA) Key Program; Wake County will require that an additional 10% of units are set-aside as permanent supportive housing for Wake County Rental Assistance Housing Program (RAHP) clients.

The following tables illustrate the original sources of funding for the two developments. Low Income Housing Tax Credit (LIHTC) funding is excluded as the properties are currently in their extended use periods.

<b>BEECHRIDGE I APARTMENTS</b>	
<i>Funding Source</i>	<i>Amount</i>
First Mortgage - UCB	\$735,600
NCHFA Loan	\$695,272
Wake County HOME Funds	\$216,000
Town of Apex Loan	<u>\$78,020</u>
<b>Total</b>	<b>\$1,724,892</b>

<b>BEECHRIDGE II APARTMENTS</b>	
<i>Funding Source</i>	<i>Amount</i>
First Mortgage - BB&T	\$615,400
Wake County HOME Funds	\$314,855
Town of Apex Loan	<u>\$48,600</u>
<b>Total</b>	<b>\$978,855</b>

The following table illustrates the proposed sources of funding for the refinancing and rehabilitation.

<b>BEECHRIDGE I AND II - CONSOLIDATED</b>	
<i>Funding Source</i>	<i>Amount</i>
First Mortgage - Capital Bank	\$2,480,000
Wake County HOME Funds + Accrued Interest	\$641,521
NCHFA Loan	\$463,530
DHIC Promissory Note	<u>\$100,000</u>
<b>Total</b>	<b>\$3,685,051</b>

The Town of Apex has agreed to forgive its loans on Beechridge I and II Apartments, and NCHFA has agreed to subordinate its loan on Beechridge I Apartments to third position behind the County's debt.

**Attachments:**

1. Location Map
2. Deed of Trust
3. Deed of Trust
4. Pro Forma