

Wake County Affordable Housing Acquisition and Preservation Fund Update

November 4th, 2019

Goals for Today | Fund Update and Discussion

Agenda

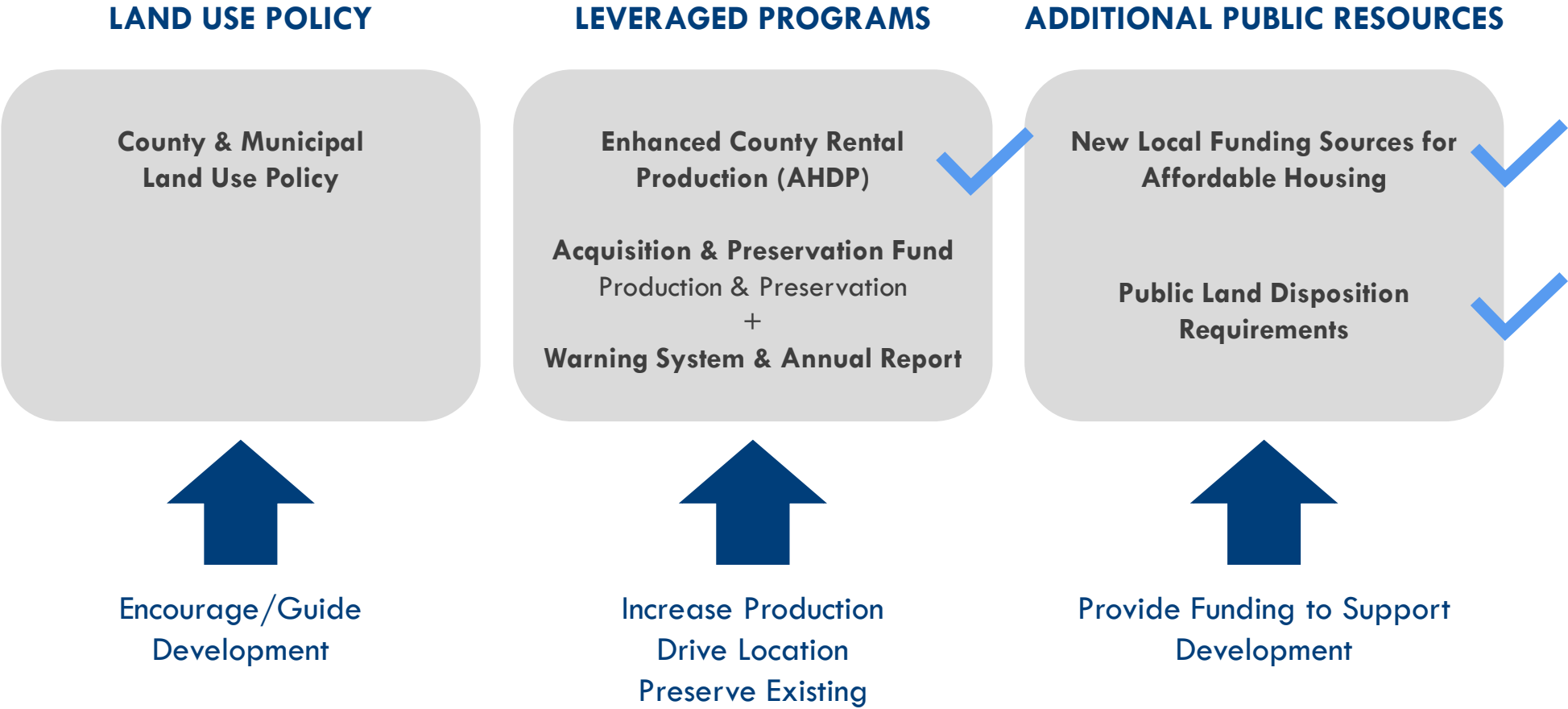
Overview of a Fund

Analysis Findings

Next Steps

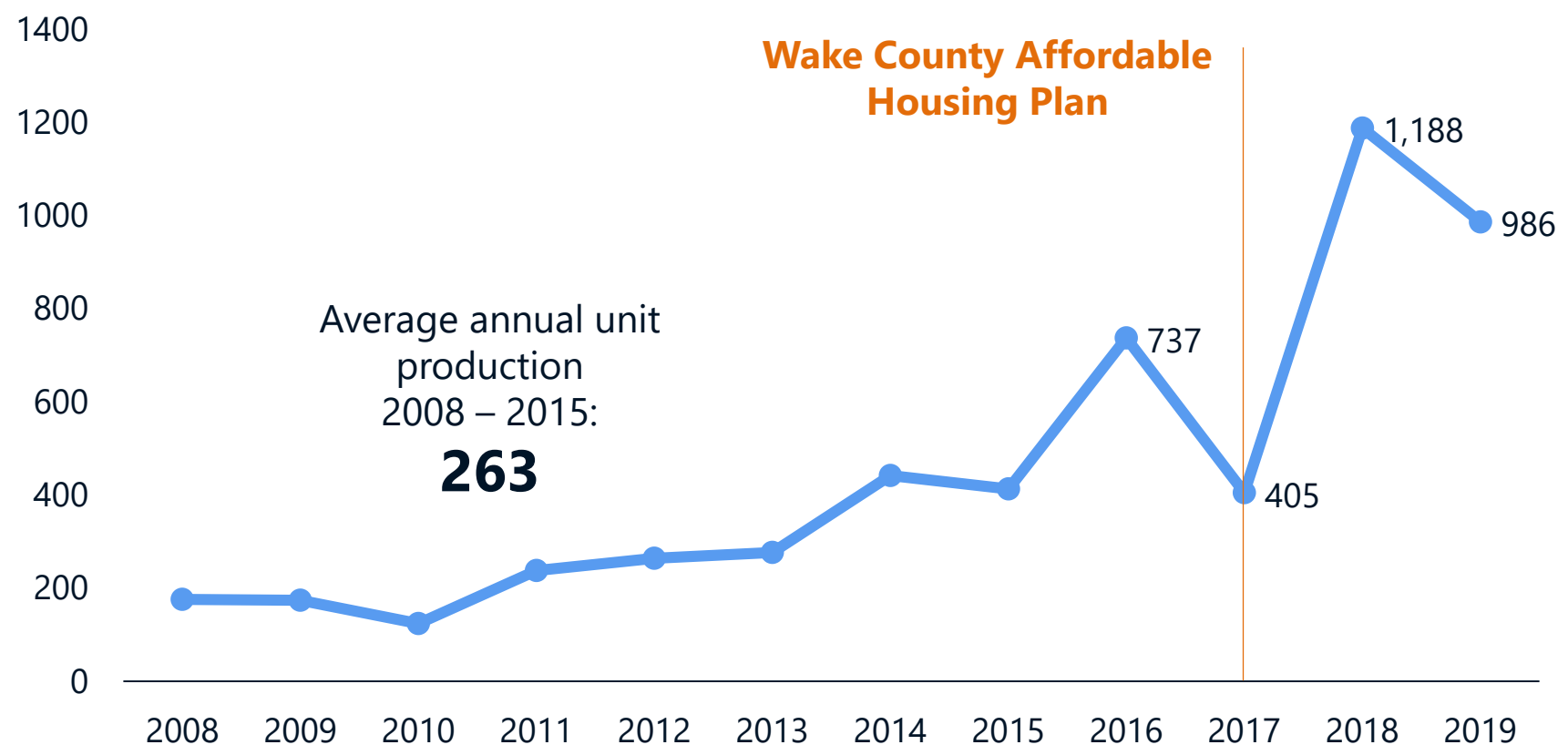
Since 2015 Wake County has acted to advance its affordable housing goals.

Highest-Priority Tools Identified in Wake County’s Affordable Housing Plan



The County is achieving increased affordable housing production since adopting the Affordable Housing Plan.

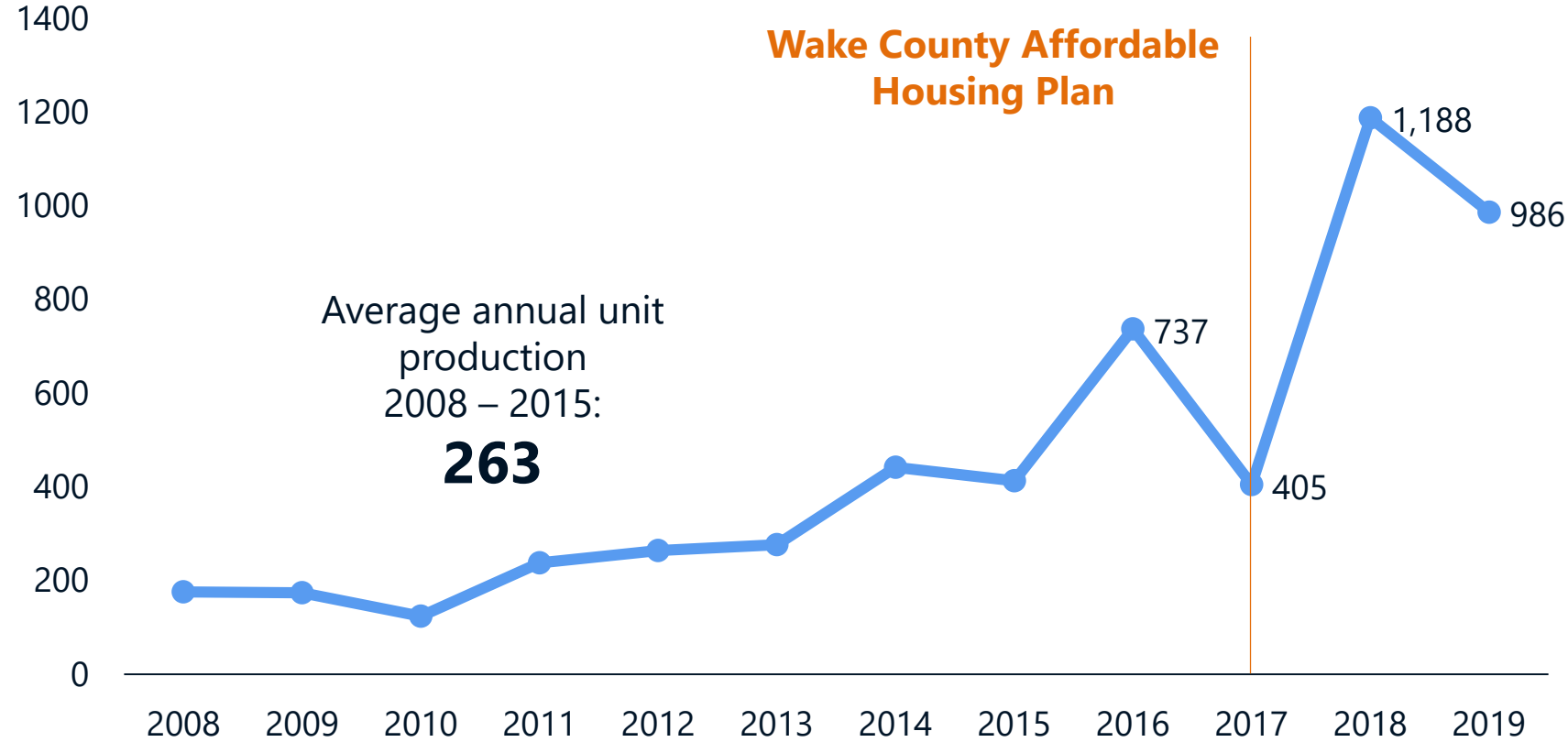
Wake County Affordable Unit Production through Tax Credits*



* Includes 2019 award to VoA's project the Sussex, which is anticipated to receive final official award in January of 2020.

As well as deeper affordability in projects awarded.

Wake County Affordable Unit Production through Tax Credits*



* Includes 2019 award to VoA's project the Sussex, which is anticipated to receive final official award in January of 2020.

2019 Awards
Deeper Affordability

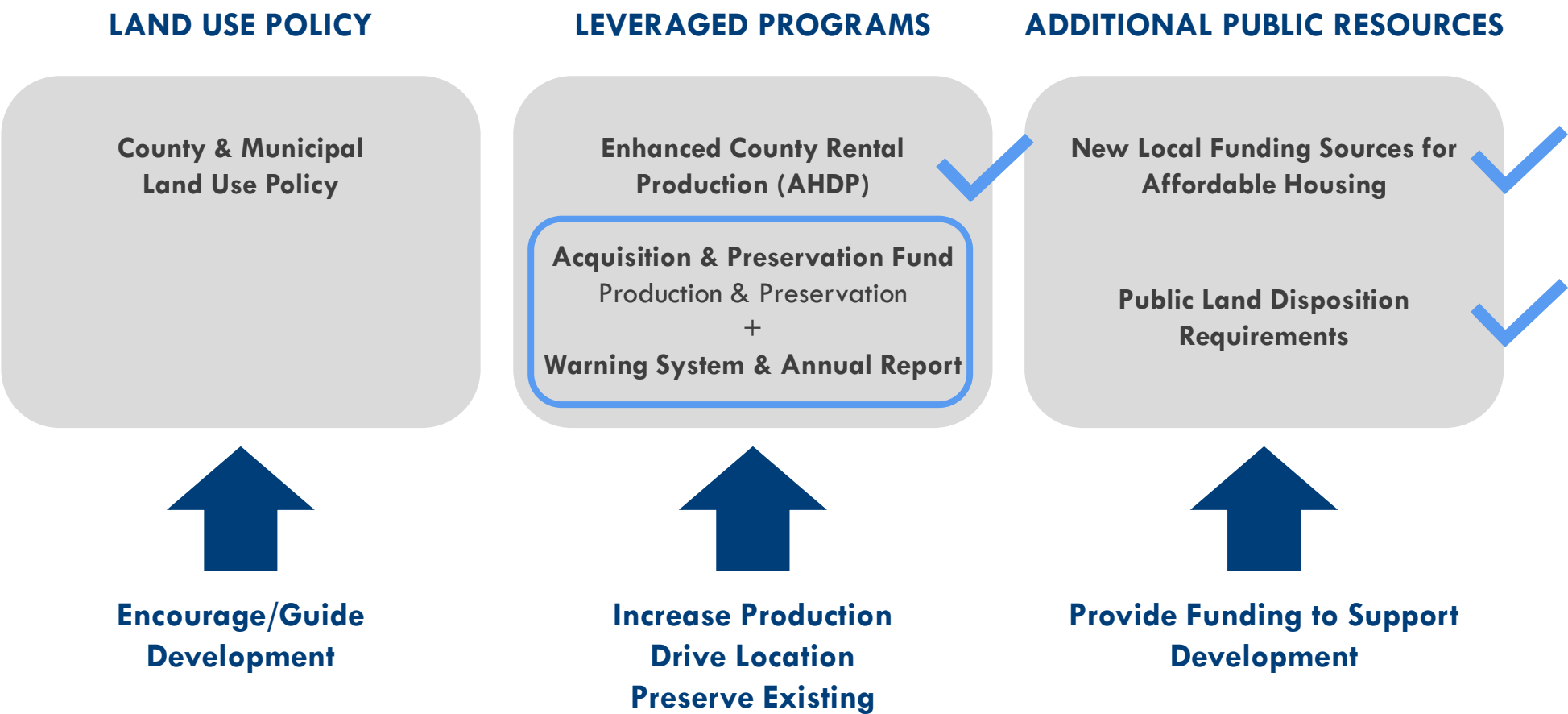
34% of total units under 50% AMI

175 additional units under 50% AMI*

105 Permanent Supportive Housing units above NCHFA requirement

Acquisition and preservation funds were recommended as an additional tool in Wake County's Affordable Housing Plan.

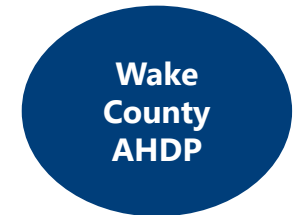
Highest-Priority Tools Identified in Wake County's Affordable Housing Plan



Acquisition and Preservation Fund Overview

Wake County currently operates a “fund”, the Affordable Housing Development Program (AHDP).

Existing Fund
Permanent Subsidy



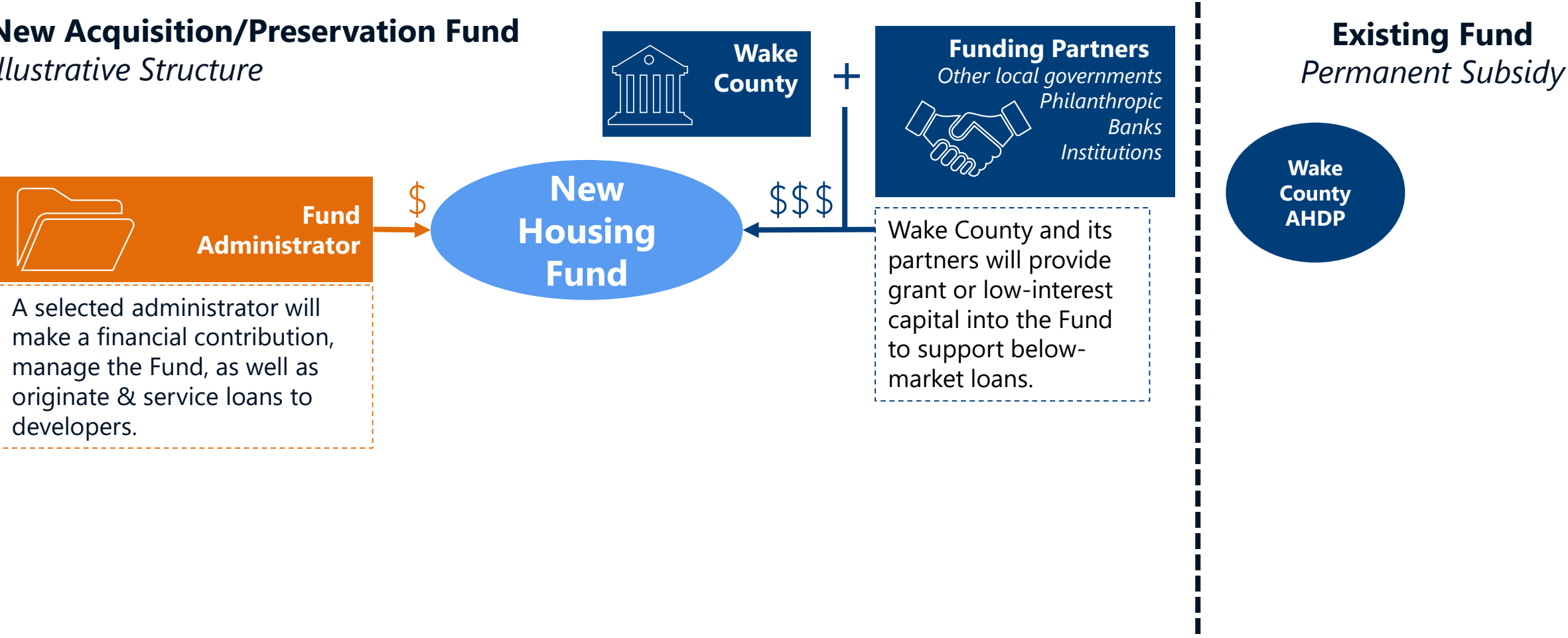
Gap financing to 9% and 4% LIHTC projects in coordination with NCHFA's process

Policy Priorities:

- Expand affordable housing production
- Target families and households at 50% AMI and below
- Support voucher/supportive service population

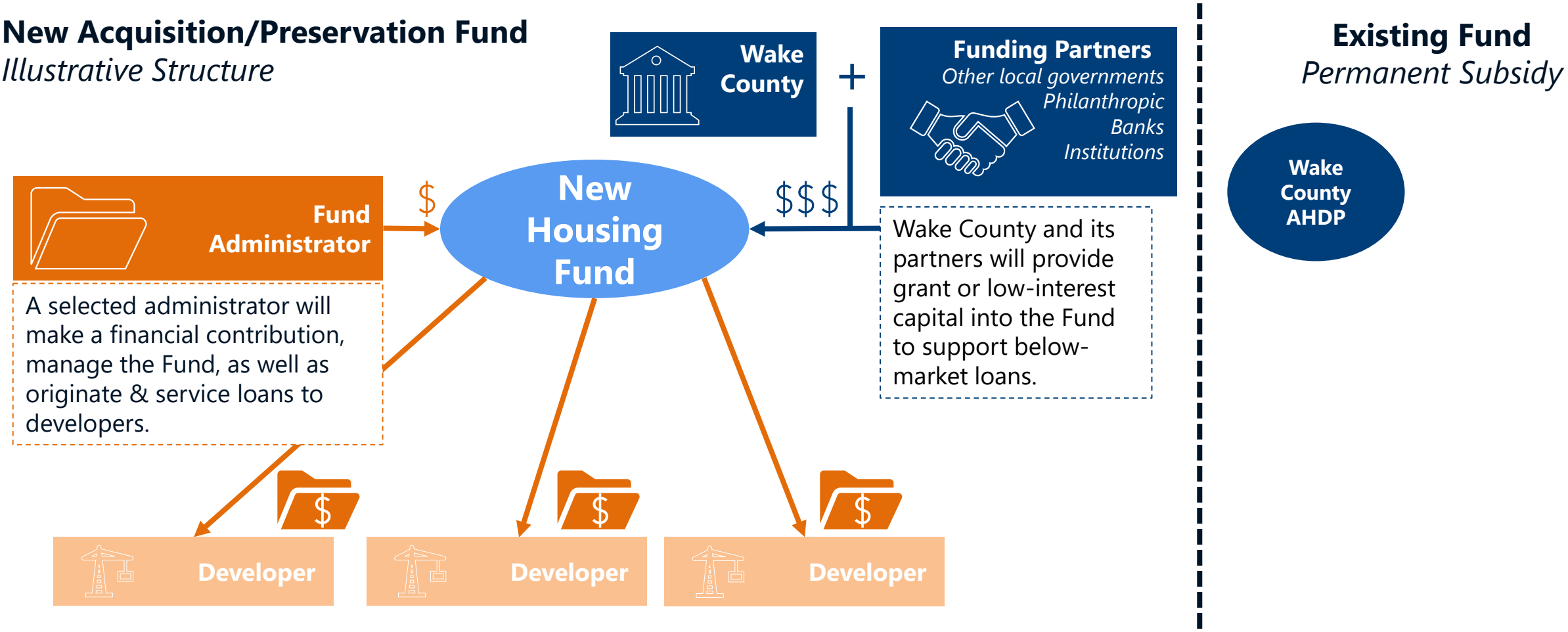
An acquisition/preservation fund is different from AHDP and would leverage County support with partners through an Administrator.

New Acquisition/Preservation Fund
Illustrative Structure



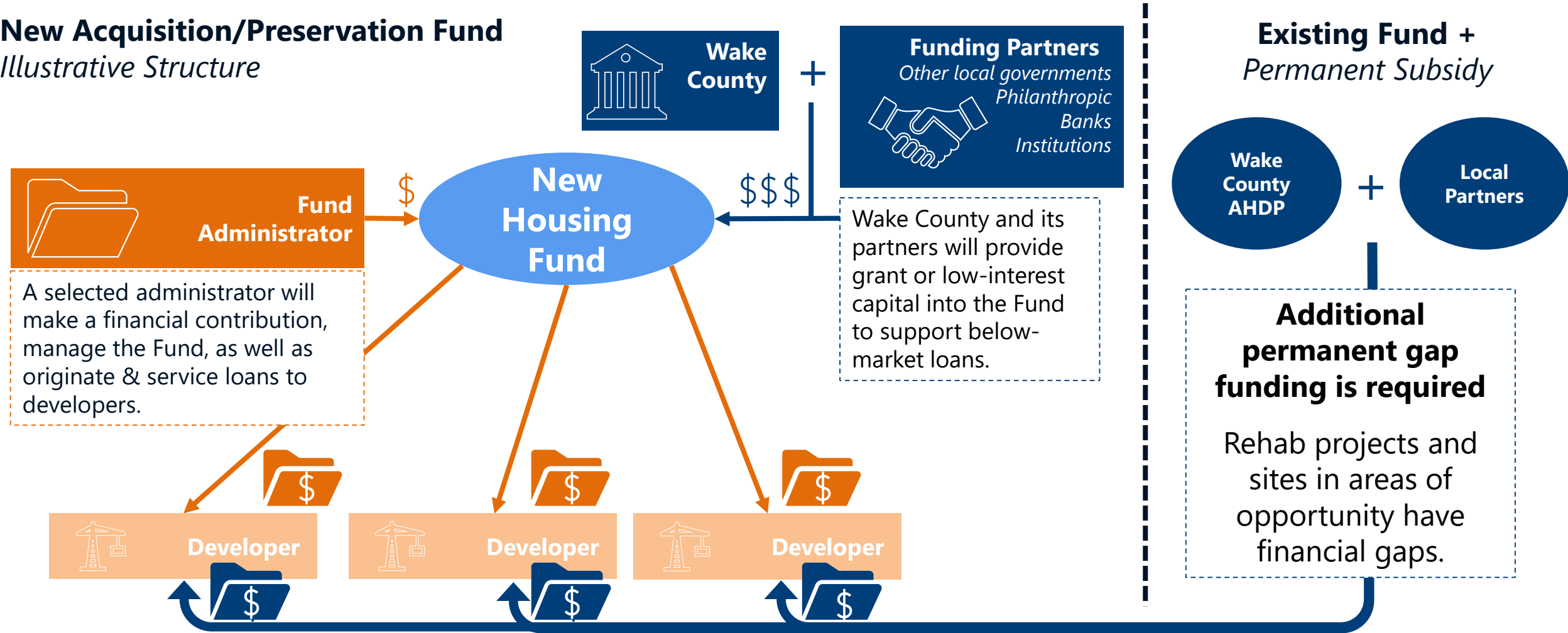
A new fund would provide below-market loans to affordable housing developers to guide better locations and preserve existing units.

New Acquisition/Preservation Fund
Illustrative Structure



In any scenario, additional permanent financing will be required to support an acquisition/preservation fund.

New Acquisition/Preservation Fund
Illustrative Structure



The County and consulting teams are advancing ongoing engagement with key partners.

Funders

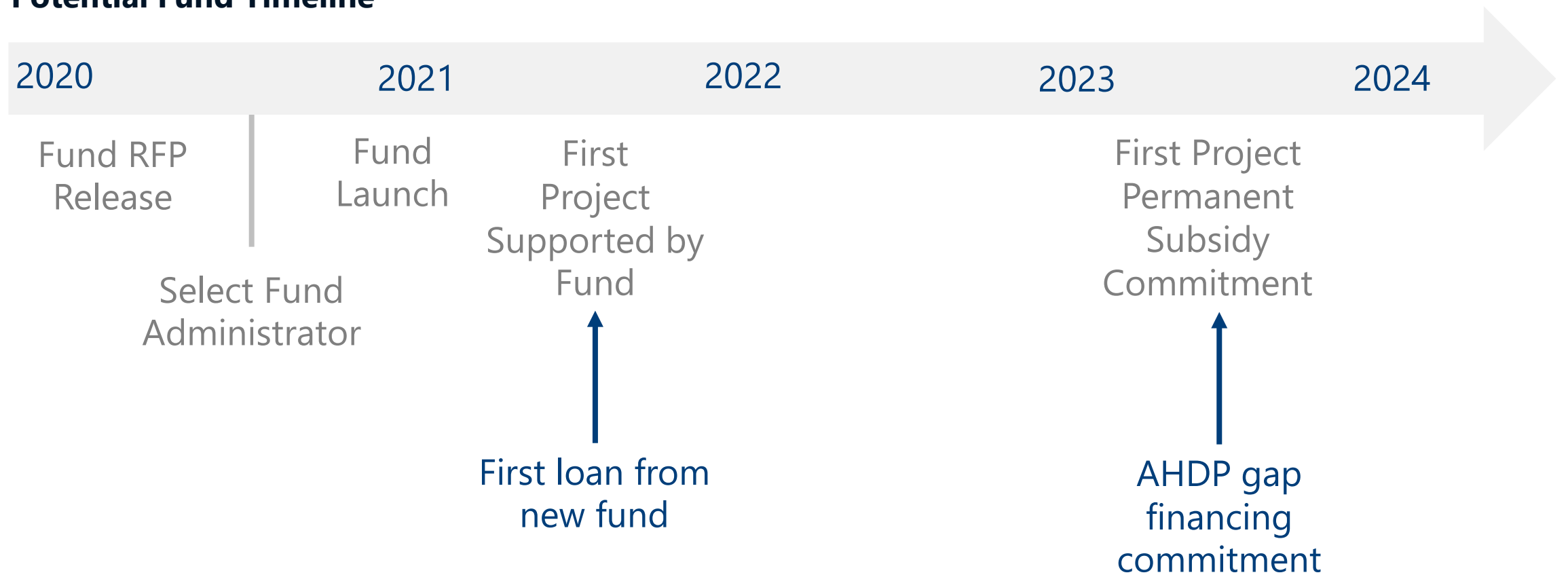
- Municipalities
- Local businesses
- Philanthropic

Developers

Administrators

It will take upwards of two years to establish a fund, and before any capital would be committed from Wake County.

Potential Fund Timeline



Acquisition and Preservation Fund Analysis Findings

We have identified three acquisition and preservation fund “products” to address affordable housing needs in Wake County.

Site Acquisition

Purchase sites in areas of opportunity for new LIHTC development



Bridge to LIHTC Preservation

Purchase subsidized housing and use LIHTC financing to protect affordability



Non-LIHTC Preservation

Purchase and preserve affordability in non-subsidized housing



There are policy, funding, and capacity considerations for each product proposed.

**Site
Acquisition**

**Bridge to LIHTC
Preservation**

**Non-LIHTC
Preservation**

Policy Prioritization: Determine how each fund meets Wake County's affordable housing goals and potential sequencing of funds.

Public Funding: Public funding is necessary to launch each product, with additional annual funding to subsidize individual projects.

Capacity: Wake County will need a capable administrator, interested developers, and internal capacity to provide oversight.

A Site Acquisition fund enables new construction in areas of better opportunity.

Site Acquisition

Purchase sites in areas of opportunity for new LIHTC development



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Non-LIHTC Preservation

Purchase and preserve affordability in non-subsidized housing

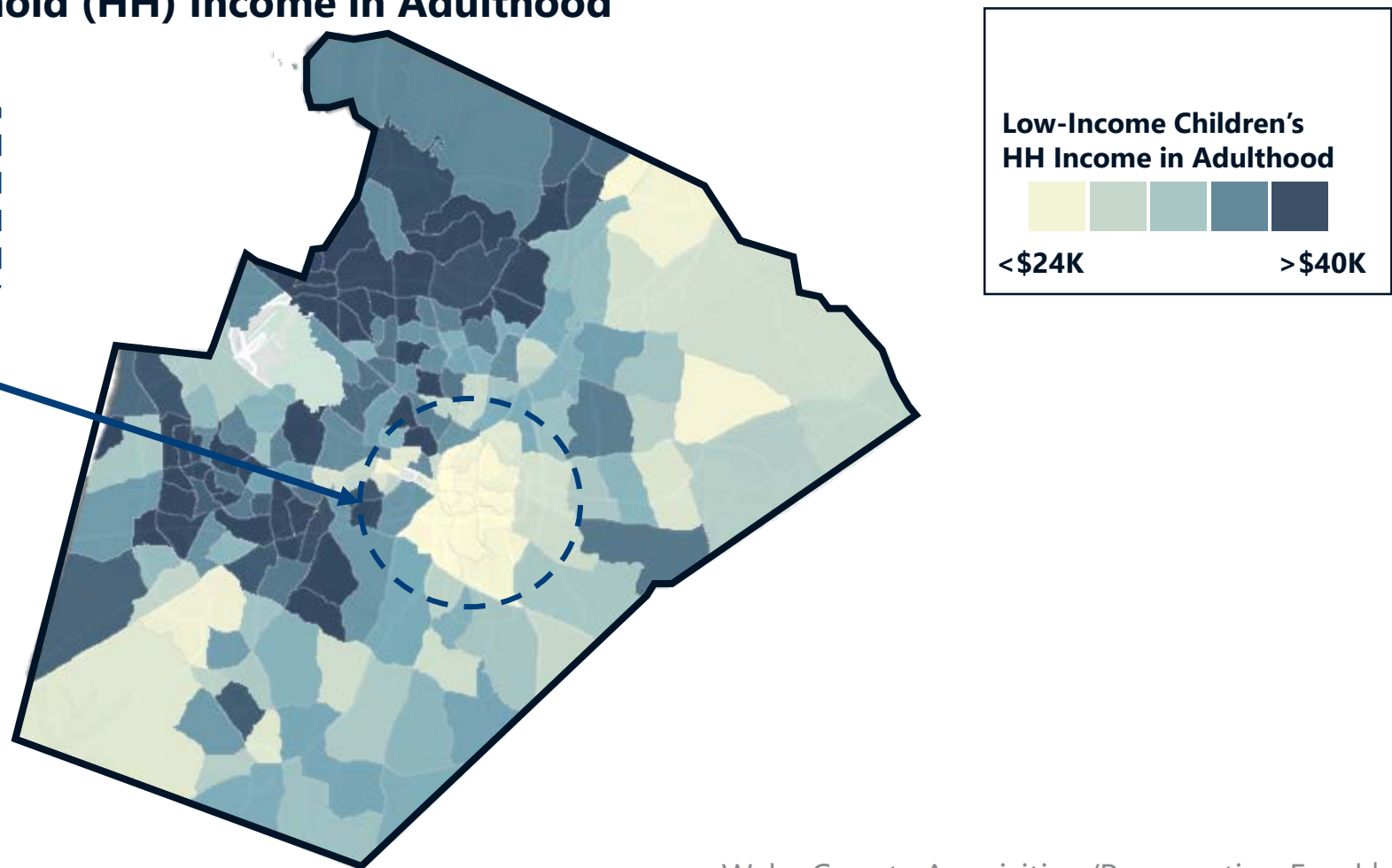


Site Acquisition | Locating housing in areas of opportunity enables families to break the cycle of poverty.

Low-Income Children’s Household (HH) Income in Adulthood

Wake County, 2019

On average, a child born into a low-income household in Southern Raleigh will earn \$19-\$24K in adulthood.

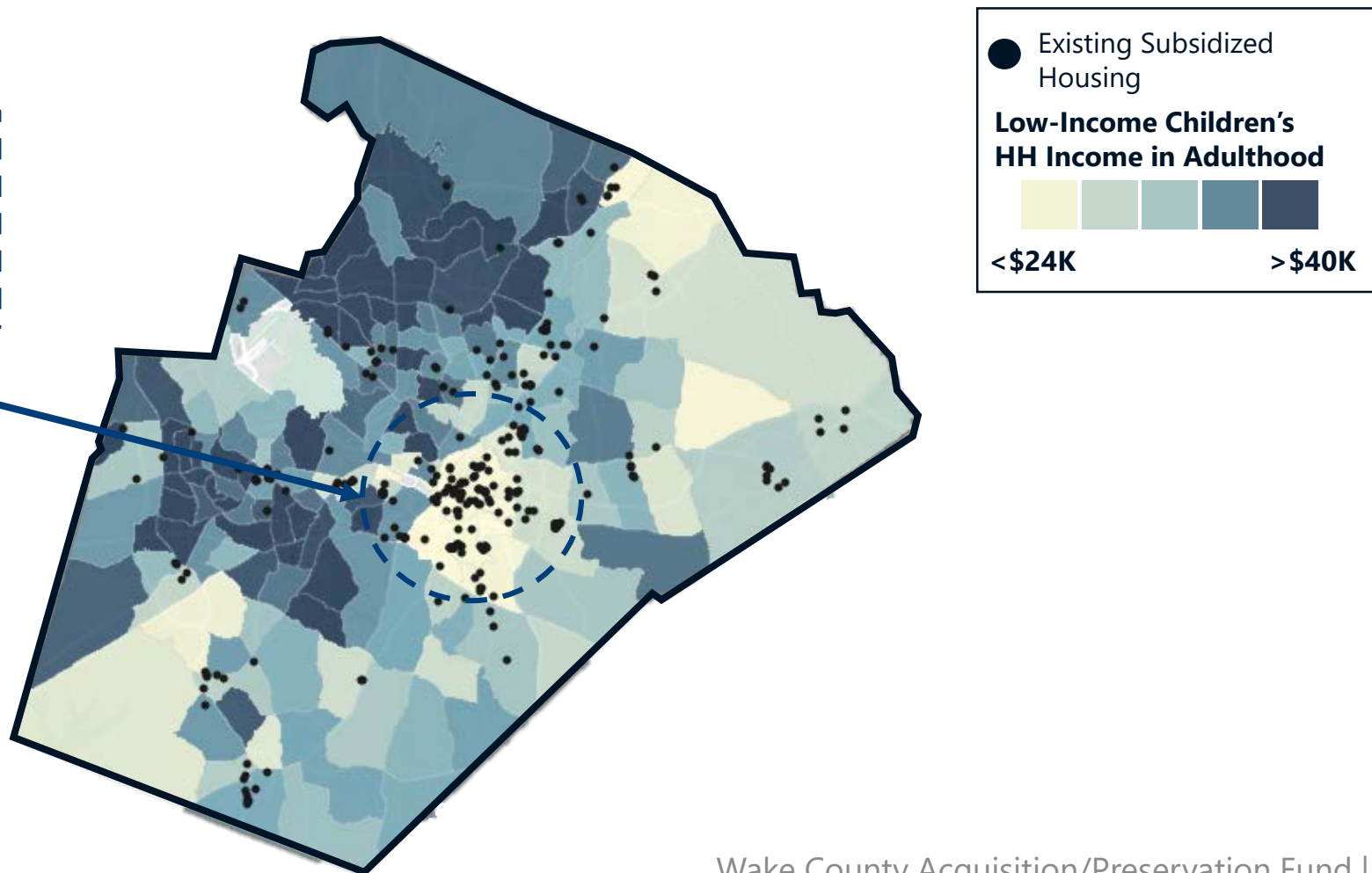


Site Acquisition | Existing subsidized units are concentrated in areas that offer limited economic mobility.

Existing Subsidized Units

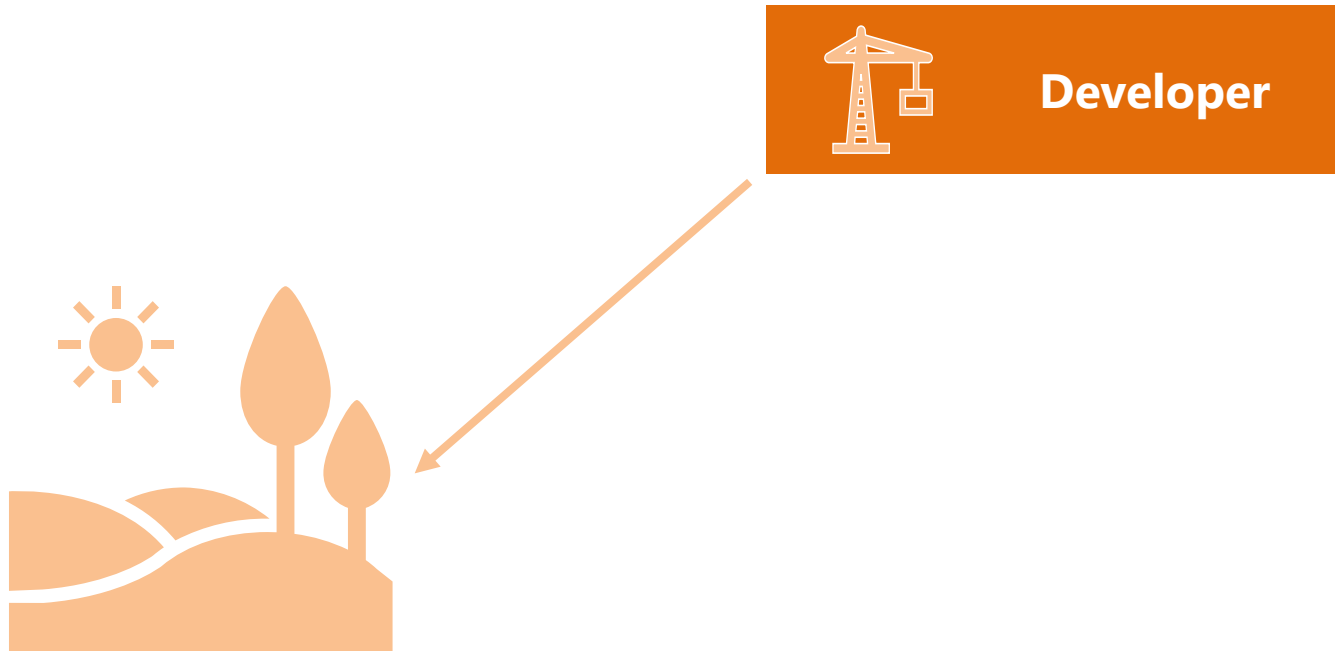
Wake County, 2019

Southern Raleigh has a strong concentration of existing subsidized units, while areas of high opportunity for economic mobility throughout Wake County have few.



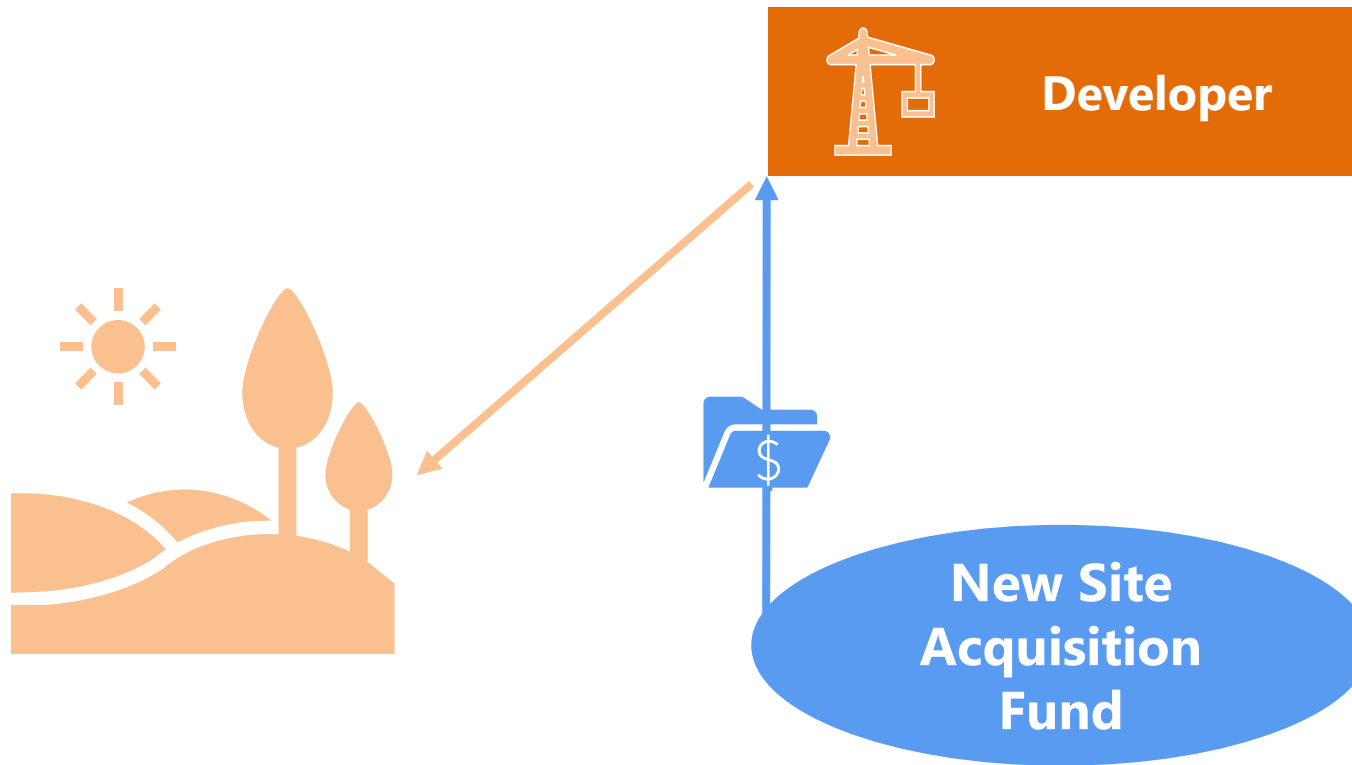
Source: Opportunity Atlas, National Housing Preservation Database.

Site Acquisition | Developer identifies a site to build affordable housing.



1. **Developer identifies site to build housing**

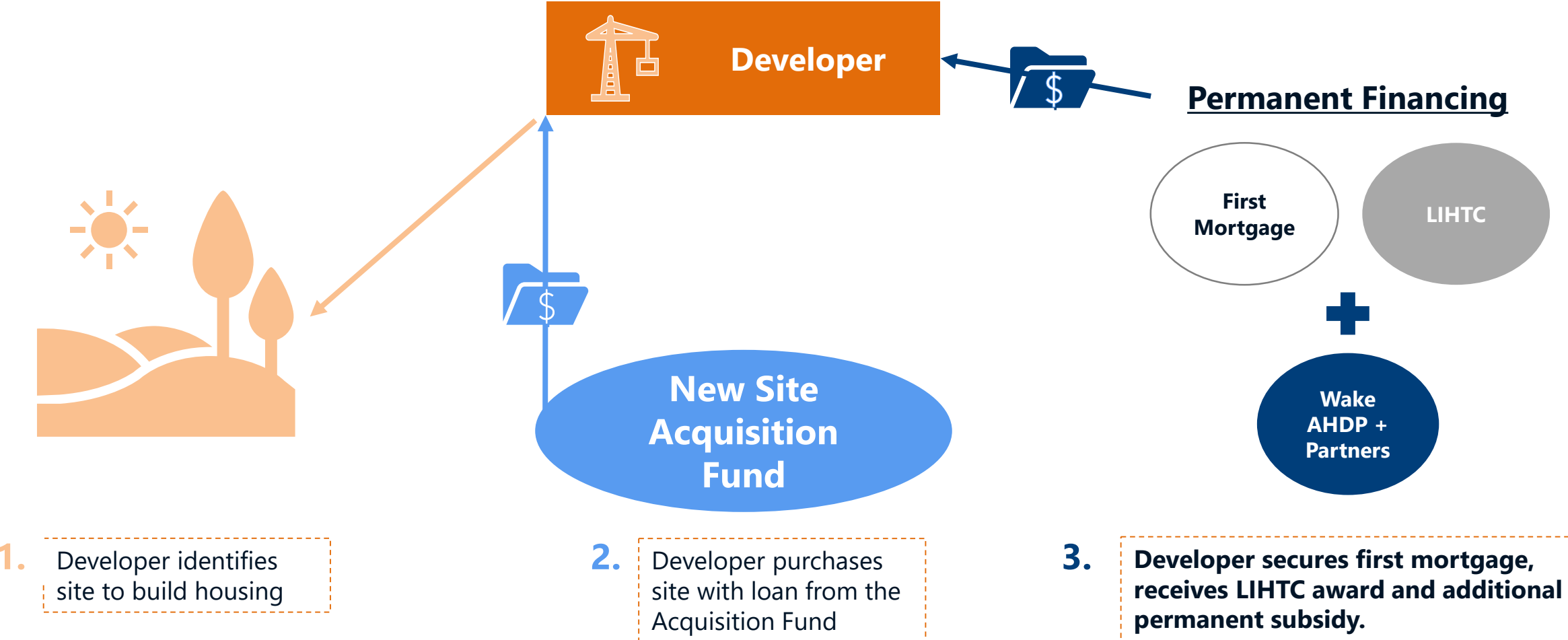
Site Acquisition | The Fund provides financing needed to purchase the site.



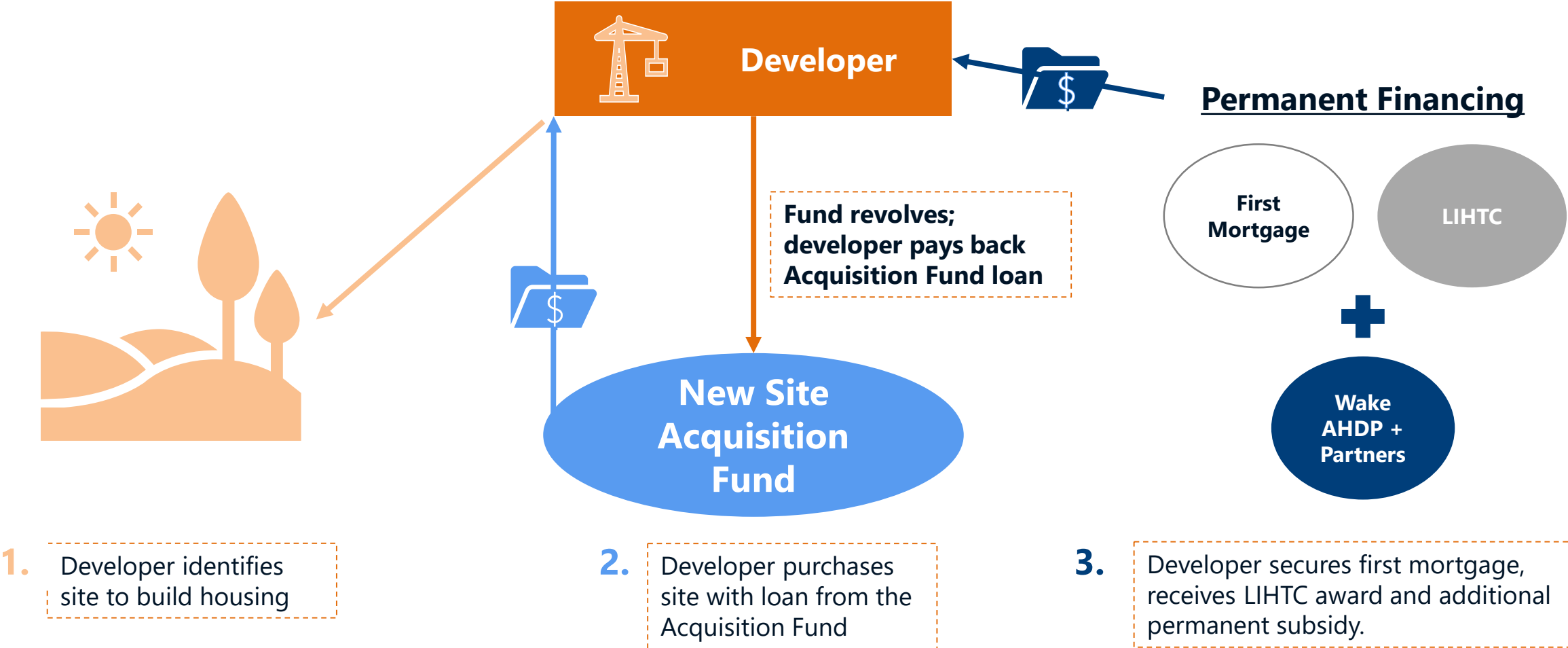
1. Developer identifies site to build housing

2. Developer purchases site with loan from the Acquisition Fund

Site Acquisition | Developer secures permanent financing through first mortgage, LIHTC award, and additional permanent subsidy.



Site Acquisition | The funds revolve – repayment allows new loans from the same fund.



Site Acquisition | Case Study Funds

	Bay Area TOAH Fund	Atlanta TOD Fund	Durham Affordable Housing Loan Fund	Washington, DC Fund
Location	Bay Area, CA	Atlanta, GA Region near MARTA	Durham, NC	Washington, DC
Year Created	2011	2018 (pilot)	2019	2018, successor to previous fund
Total Fund Size	\$50M	\$15M	\$10M (growing to \$15M)	\$80M
Initial Public Commitment	\$10M	\$4.5M	\$2M	\$20M
Ongoing Public Commitment	Yes	Yes	Yes	Yes

A Bridge to LIHTC Preservation fund prevents the loss of existing affordable housing by allowing the quick purchase of buildings.

Site Acquisition

Purchase sites in areas of opportunity for new LIHTC development



Bridge to LIHTC Preservation

Purchase subsidized housing and use LIHTC financing to protect affordability



Non-LIHTC Preservation

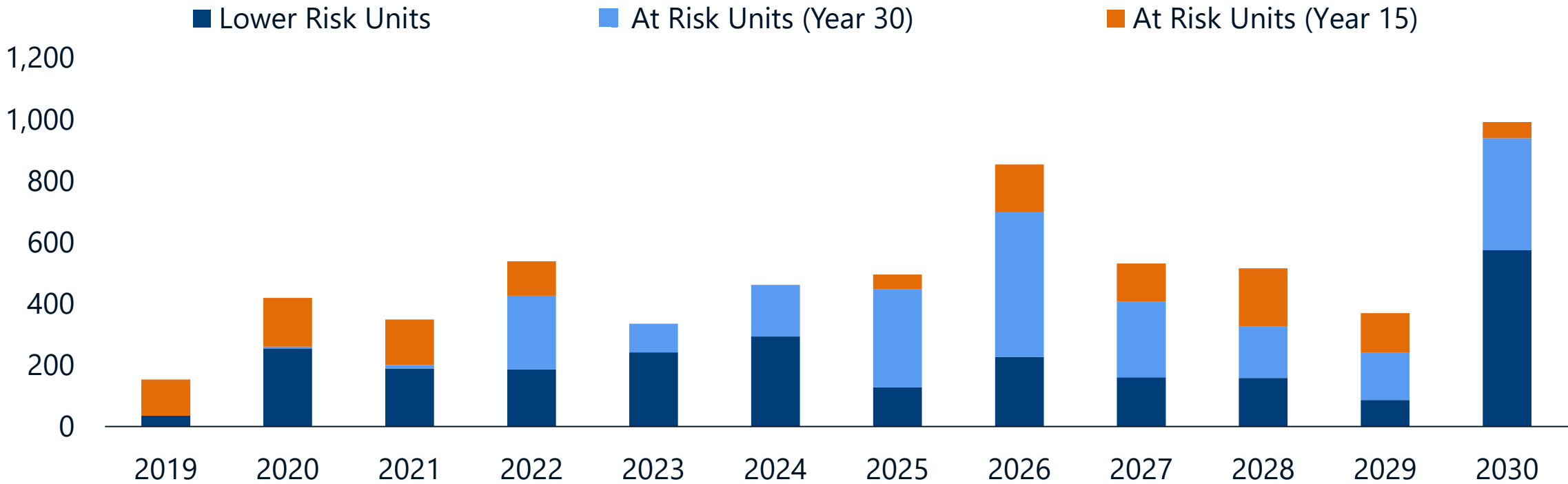
Purchase and preserve affordability in non-subsidized housing



Bridge to LIHTC Preservation | Subsidized housing units in Wake County are at risk of converting to market-rate.

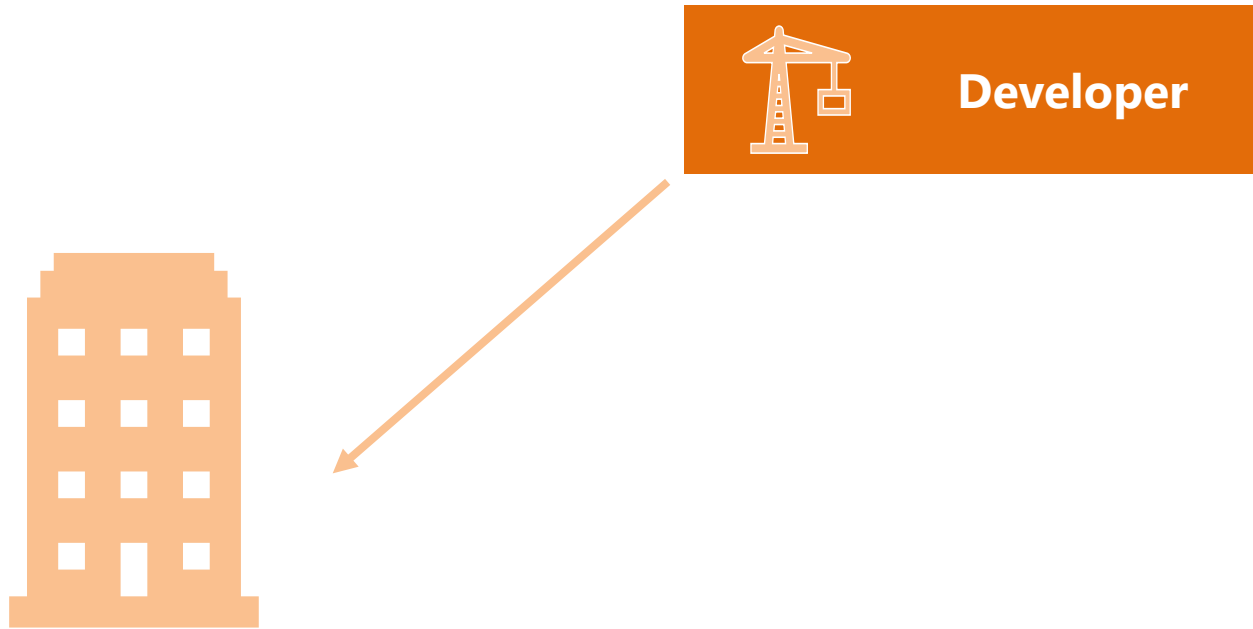
Upcoming Subsidized Unit Expiration
Wake County, 2019 - 2030

3,600 units at greatest risk of expiring over the next 10 years



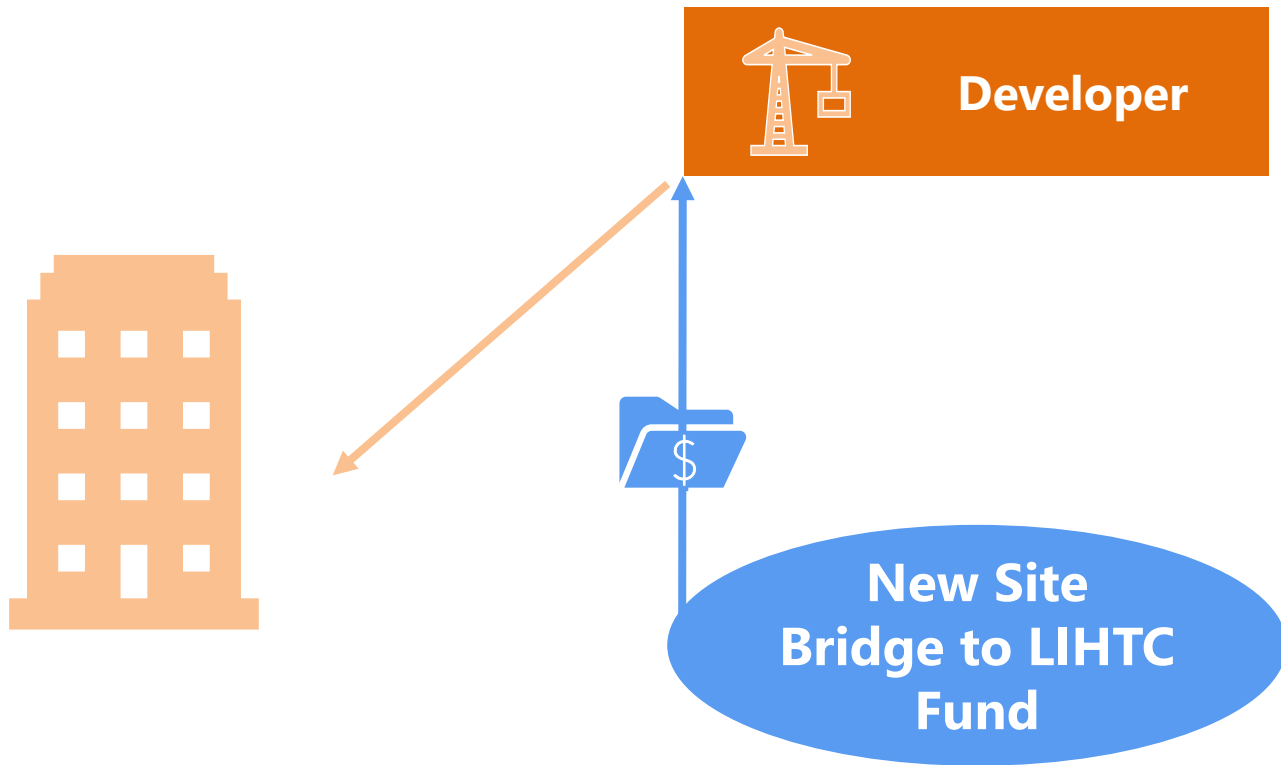
Sources: NHPD, HR&A Advisors.
Note: Based on expiring for-profit and profit motivated expiring subsidy in census tracts with median rent income greater than \$900/mo

Bridge to LIHTC Preservation | Developer identifies a building to preserve affordable housing.



1. **Developer identifies preservation opportunity**

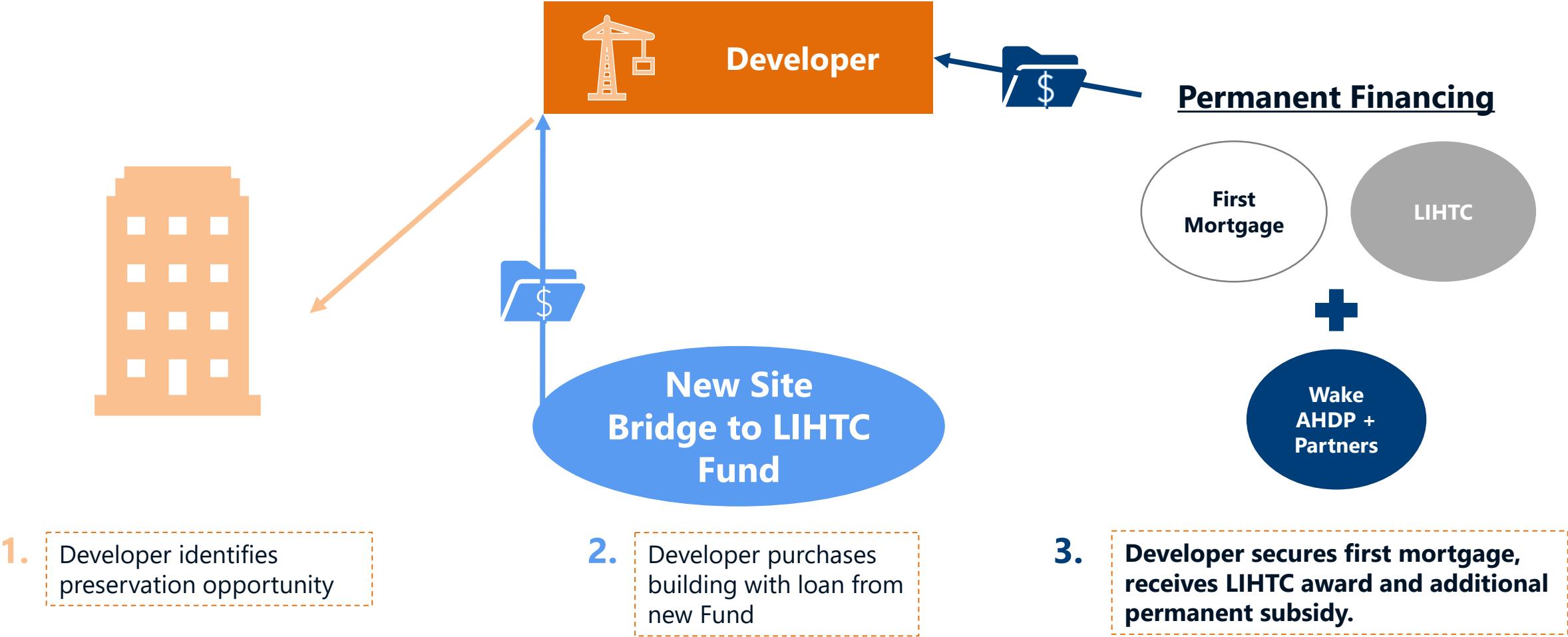
Bridge to LIHTC Preservation | The fund provides financing needed to purchase the building.



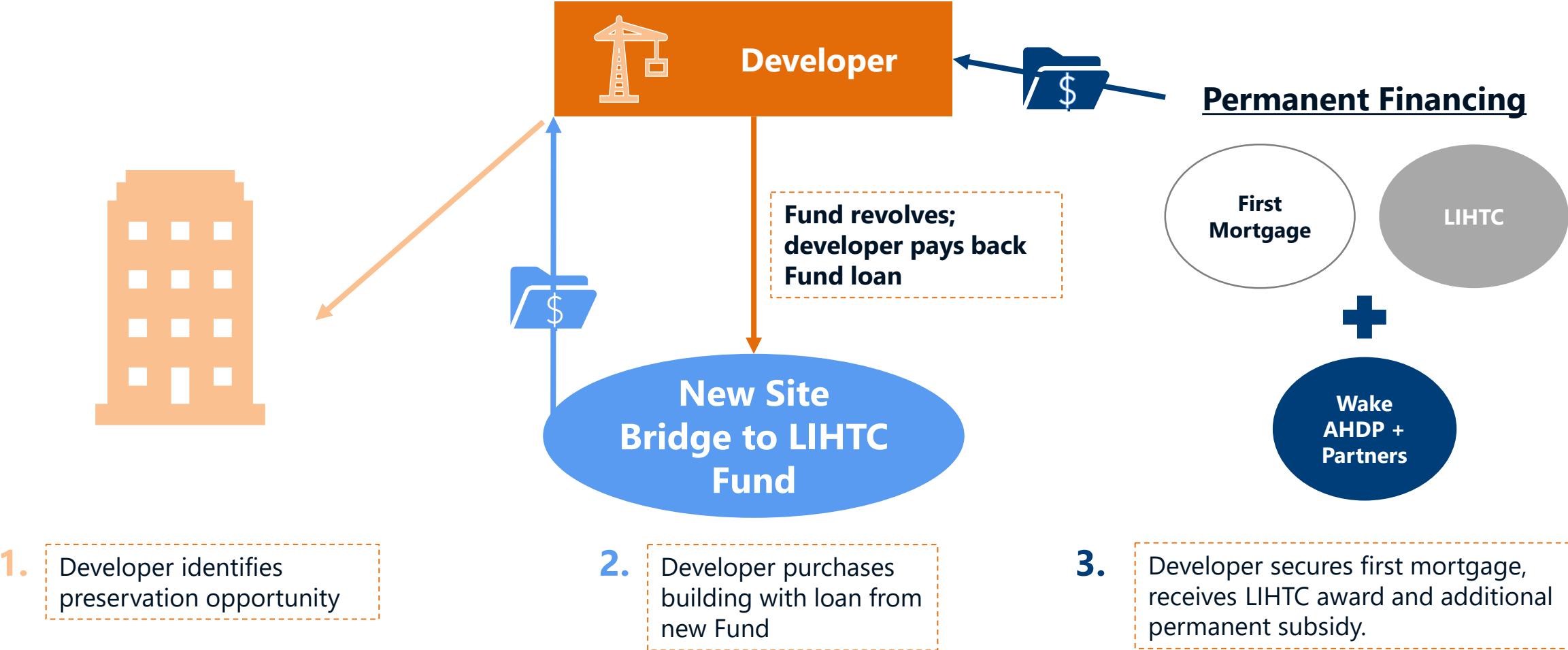
1. Developer identifies preservation opportunity

2. **Developer purchases building with loan from new Fund**

Bridge to LIHTC Preservation | Developer secures permanent financing through mortgage, LIHTC, and additional subsidy.



Bridge to LIHTC Preservation | The funds revolve – repayment allows new loans from the same fund.



Bridge to LIHTC Preservation | Bridge financing for existing buildings is often an allowable use of an acquisition fund.

	Bay Area TOAH Fund	Atlanta TOD Fund	Durham Affordable Housing Loan Fund	Washington, DC Preservation Fund
Location	Bay Area, CA	Atlanta, GA Region near MARTA	Durham, NC	Washington, DC
Year Created	2011	2018 (pilot)	2019	2018 successor to previous fund
Total Fund Size	\$50M	\$15M	\$10M (growing to \$15M)	\$80M
Initial Public Commitment	\$10M	\$4.5M	\$2M	\$20M
Ongoing Public Commitment	Yes	Yes	Yes	Yes
Allows Purchase of Existing Buildings	Yes	No	Yes	Yes

A Non-LIHTC Preservation fund preserves affordable housing through long-term fund investments outside of LIHTC.

Site Acquisition

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Bridge to LIHTC Preservation

Purchase subsidized housing and use LIHTC financing to protect affordability



Non-LIHTC Preservation

Purchase and preserve affordability in non-subsidized housing

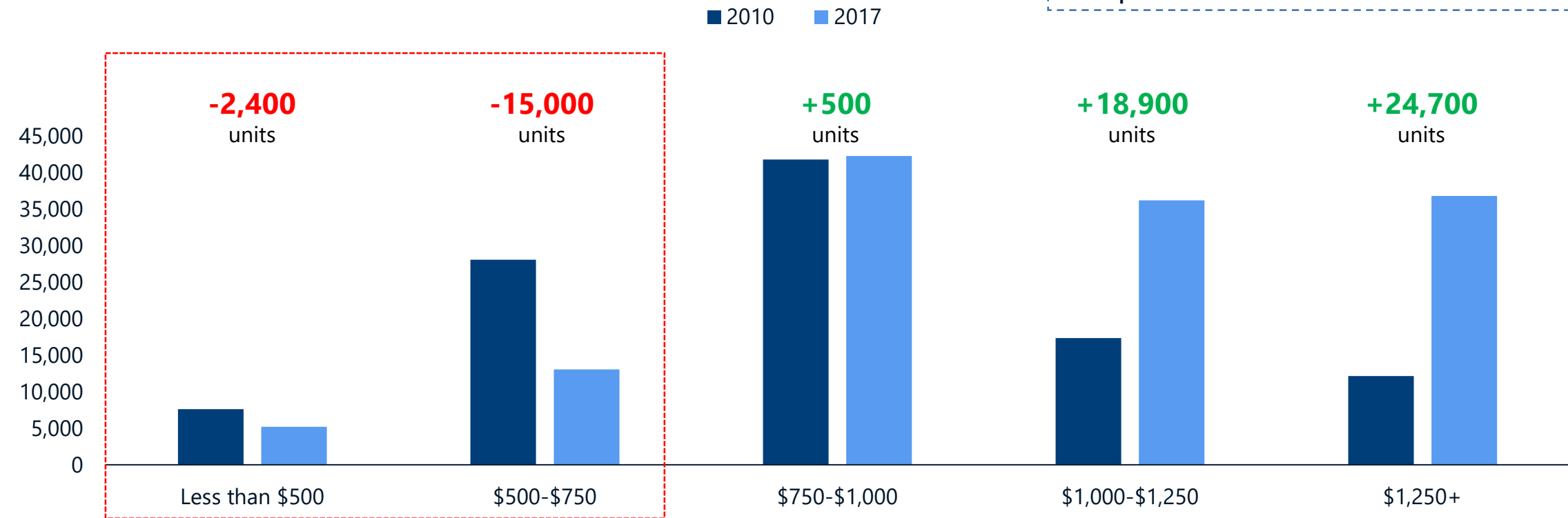


Non-LIHTC Preservation | Preserve the affordability and quality of NOAH that is not suitable for LIHTC.

Loss of Affordable Rental Units

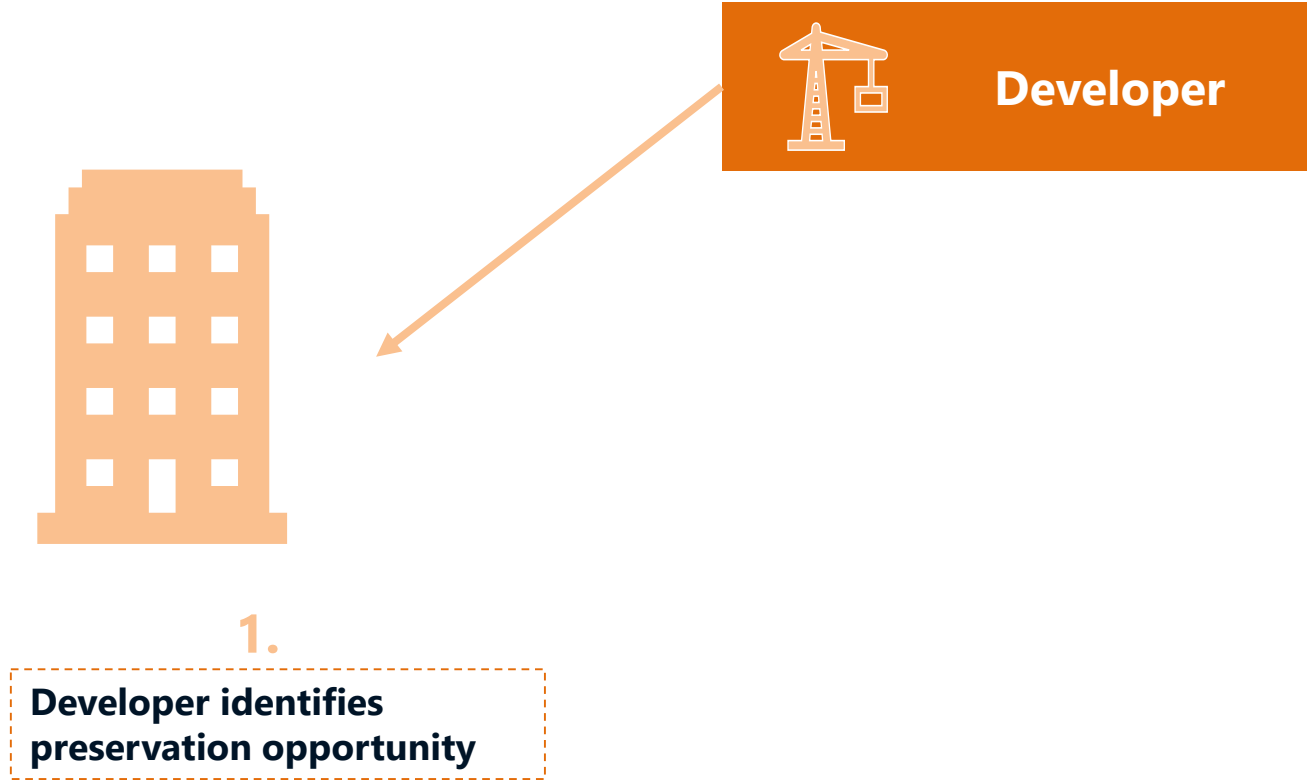
Wake County, 2010 and 2017

Since 2010 Wake County has **lost 48%** of it's stock of rental units priced below \$750 a month.

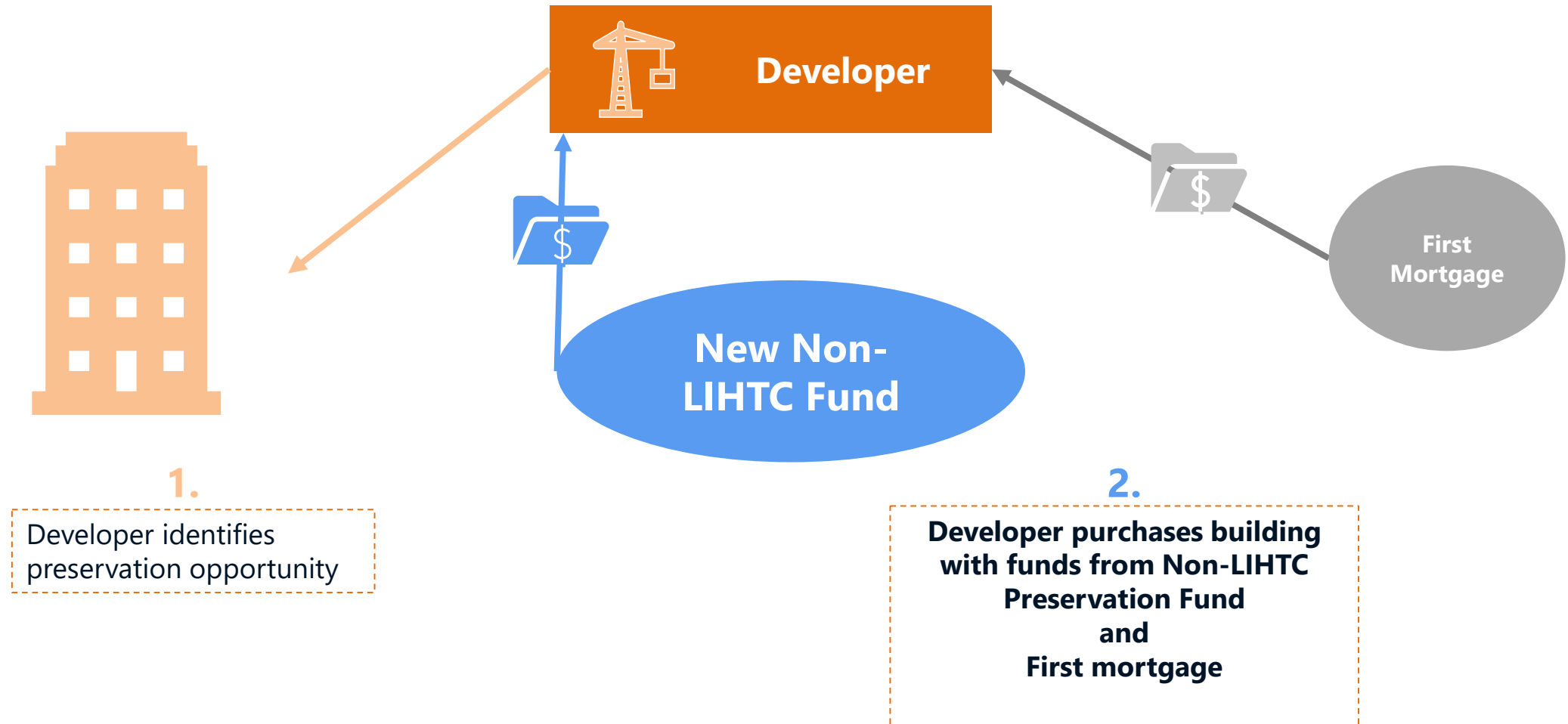


Source: ACS 5-Year 2010, 2017 Estimates

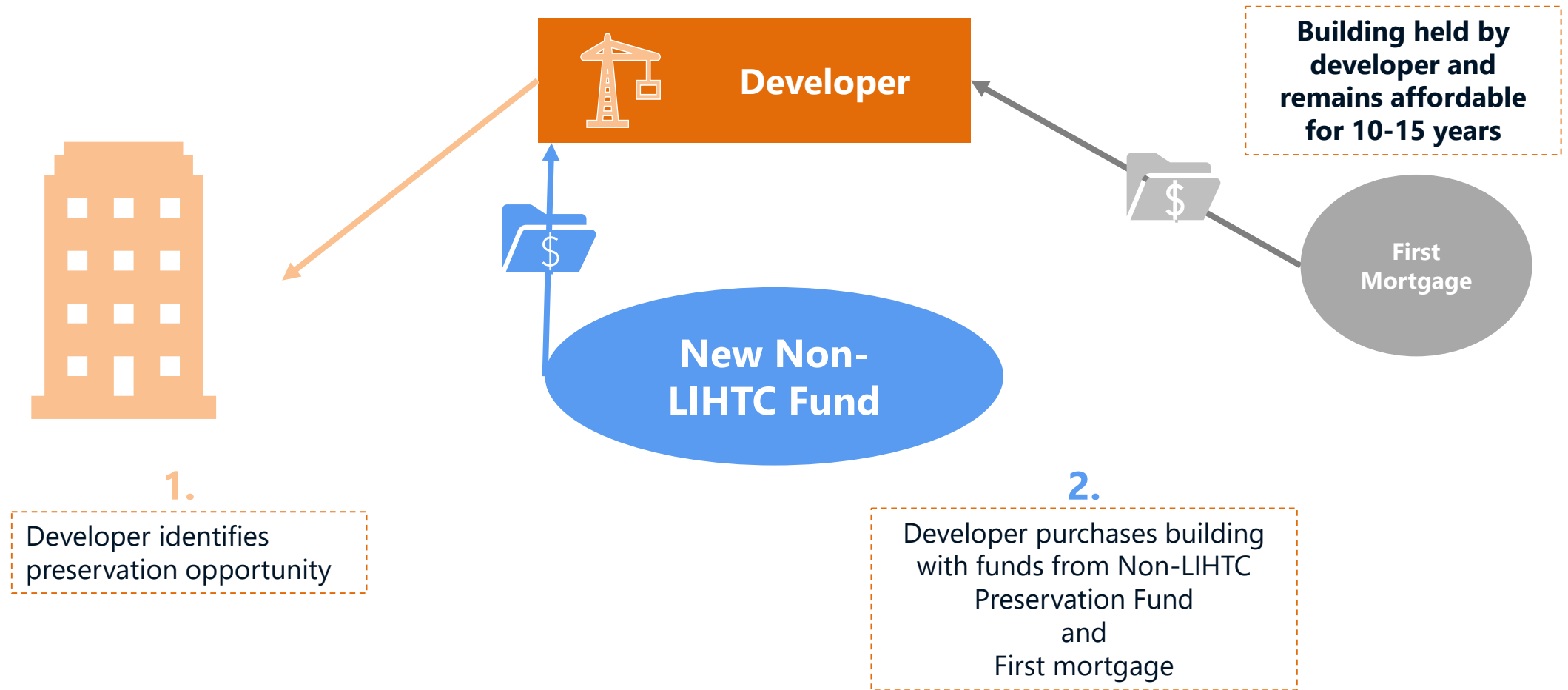
Non-LIHTC Preservation | Developer identifies a preservation opportunity.



Non-LIHTC Preservation | Within 45-60 days, developer obtains a mortgage and funding from the Non-LIHTC Fund to purchase.



Non-LIHTC Preservation | Unlike the other two funds, this fund is a long-term investment and does not revolve.



Non-LIHTC Preservation | NOAH Impact Fund – Project Example

Minneapolis, MN - 2017, second fund 2019

Bloomington & Brooklyn Center Project

- Units: 239
- Purchase Timeline: 60 days
- Affordability: 60% AMI for 15 years with ability to float
- Operating Partner/Developer: Aeon (for-profit)
- Public subsidy per unit: **\$8,400**



Source: Minneapolis NOAH Impact Fund

Bloomington & Brooklyn Center Capital Stack



- Operating partner purchases building with 3% equity
- 25% of NOAH Impact Fund from public funds (\$2M)
- Paired with Freddie Mac loan product designed for NOAH preservation featuring favorable interest rates, LTV, and term.

Next Steps

Next Steps

Oct 2019

11/4
Board of
Commissioners
Affordable
Housing
Committee

Nov 2019

Fund Structure
and Sizing
Analysis

Dec 2019

Fund Structure
Recommendations

December: Begin
RFP Drafting

1Q 2020

RFP for Fund
Administrator

2020

Board of
Commissioners
Select
Administrator
from Responses