

Item Title: Subordination of an Affordable Housing Loan for Granite Falls Apartments in Rolesville, NC

Specific Action Requested:

That the Board of Commissioners approves a subordination request for Granite Falls Apartments, an affordable rental development located in Rolesville, NC, subject to terms and conditions acceptable to the County Attorney.

Item Summary:

Purpose: The Board of Commissioners approves all Wake County real estate transactions.

Background: In June 2012, the Board of Commissioners approved a loan of \$720,000 to Granite Falls NC Limited Partnership to develop Granite Falls Apartments, a 72-unit affordable family development in Rolesville, NC. The owner is refinancing the first mortgage debt on the property to take advantage of current interest rates, using a HUD-insured mortgage from Prudential. HUD requires that the County subordinate its loan and restrictive covenants to the new first mortgage. The County debt will remain in second position behind the first mortgage debt and ahead of the NCHFA loan.

In addition, HUD is requiring a modification to the original Loan Agreement extending the maturity date of the County loan from 2043 to 2055. Concurrently, the County's deed restrictions will be extended to 2055 to preserve the property's affordability for another 12 years. Additionally, the owner has agreed to a 10 percent set aside, or seven units, for the County's Rental Assistance Housing Program.

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

Fiscal Impact: The County will not be contributing additional funding. No new County debt will be issued, and annual debt service payments will remain consistent.

Additional Information:

In June 2012, the Board of Commissioners approved a loan of \$720,000 to Granite Falls NC Limited Partnership to develop Granite Falls Apartments, a 72-unit affordable family development in Rolesville, NC. The property consists of 18 units affordable to families earning 30 percent of the AMI or less, and 54 units affordable to families earning 60 percent of the AMI or less. The loan was made at one percent interest over a 30-year

term, with \$22,000 annual debt service payments based on a 50-year amortization schedule with a balloon payment at the end of the term. The County's debt is in second position behind a HUD-insured mortgage from Oppenheimer and ahead of a deferred loan from the North Carolina Housing Finance Agency.

In September 2018, the Board of Commissioners approved the assignment of 51% of the Membership Interest in Granite Falls NC General Partnership from HEGM Corporation to Flatiron Holdings LLC. Granite Falls NC Limited Partnership continued as the owner/borrower under the County's loan. The owner is current on its County debt payments.

The owner is refinancing its first mortgage debt on the property to take advantage of current interest rates, using a HUD-insured mortgage. HUD requires that the County subordinate its loan and restrictive covenants to the new first mortgage. In addition, HUD is requiring a modification to the original Loan Agreement extending the maturity date from 2043 to 2055. Concurrently, Wake County's Deed Restrictions on the property will be extended to 2055. HUD requirements allow subordinate debt to be paid through 75 percent of excess cash flow after first mortgage debt service. Annual debt service payments on the County loan will remain at \$22,000 annually.

The tables below illustrate the changes to the sources of funding and annual debt service payments upon refinance.

**GRANITE FALLS APARTMENTS SOURCES
CURRENT**

<i>Source</i>	<i>Balance</i>	<i>Annual DS</i>
First Mortgage - Oppenheimer	\$1,883,361	\$118,116
Wake County	\$626,887	\$22,000
North Carolina Housing Finance Agency	<u>\$921,652</u>	<u>\$0</u>
Total	\$3,431,900	\$140,116

**GRANITE FALLS APARTMENTS SOURCES
REFINANCED**

<i>Source</i>	<i>Balance</i>	<i>Annual DS</i>
First Mortgage - Prudential	\$1,987,800	\$97,895
Wake County	\$626,887	\$22,000
North Carolina Housing Finance Agency	<u>\$921,652</u>	<u>\$0</u>
Total	\$3,536,339	\$119,895

The owner has agreed to set-aside 10 percent of units for County Rental Assistance Housing Program voucher holders, to be placed as units turn over. Granite Falls Apartments will remain affordable to family households earning 40 and 60 percent of the AMI, or less. Rents range from \$444 to \$875 per month, and no rent increase is planned upon refinancing.

Attachments:

1. Site Map