

Item Title: Funding for Broadstone Walk Apartments in Apex, NC

Specific Action Requested:

That the Board of Commissioners approves a loan of \$3,000,000 to support the construction of Broadstone Walk Apartments, an affordable family housing development to be located in Apex, NC.

All funding commitments are subject to terms and conditions acceptable to the County Attorney. In addition, all awards are 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. 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:

Purpose: The Board of Commissioners approves all Wake County real estate transactions, including recommended funding commitments for low-income housing tax credits applications.

Background: Annually, the County advertises a Request for Proposals (RFP) to provide gap financing to developers for the production and preservation of affordable housing. This Affordable Housing Development Program leverages Federal, State and local funding, as well as low-income housing tax credits. Wake County recommends funding commitments for qualified proposals which are then submitted by developers to the NC Housing Finance Agency (NCHFA) for competitive tax credit awards.

In May 2020, the Board approved \$10.2 million in awards for 784 new units. Broadstone Walk developed by DHIC was one of those proposals requesting funding but did not receive the competitive 9% tax credit from NCHFA.

While the 9% tax credit final application is due in May, the 4% tax-exempt bond application stays open from May through October with the final application due in January. DHIC has re-submitted an updated proposal for Broadstone Walk as a 4% tax-exempt bond development, which will now consist of 164 family units. Staff recommends the commitment of \$3.0 million in funding for this development.

Board Goal: This Board action directly supports the Board's desire to implement the Wake County Affordable Housing Plan in the Social and Economic Vitality goal area.

Fiscal Impact: The Board appropriates funds for Affordable Housing Development Program proposals in the Housing Affordability and Community Revitalization Special Revenue Fund in the CIP annually, with the most recent appropriation in the FY2021 budget. Sufficient funding remains available.

Additional Information:

DHIC, Inc. has requested funding of up to \$3,000,000 on behalf of the ownership entity to be formed for the permanent financing of Broadstone Walk which is a proposed 164-unit affordable housing complex for families to be located on S. Hughes in Apex near the intersection of the Apex Peakway. Staff previously recommended funding Broadstone in the 2019 and 2020 cycles as a 72-unit 9% development. Because of the competitive nature of the 9% credit, NCHFA did not award tax credits to the development in either cycle. DHIC has re-submitted the development as a 4% tax-exempt bond development and is leveraging additional funding from the Town of Apex.

Consistent with the previously submitted applications for Broadstone Walk, this application was responsive and responsible, and met the County's threshold requirements of a complete application. The proposed development has a weighted average affordability of 59%, with approximately 37% of its units affordable to households earning 40% and 50% of the AMI. Staff analyzed the pro forma and negotiated a \$200,000 reduction in County funding from the original \$3,200,000 request. The project, as underwritten, maintains a debt coverage ratio of at least 1.15 for the term of the loan, is located in Wake County, has site control, and has units designated for permanent supportive housing. The application was scored based on the following project evaluation criteria:

Criteria	Points
1) Project Viability	
a) Financial Feasibility	30
b) Development Quality	10
c) Development & Management Team	10
2) Wake County Policy Goals	
d) Target Populations	10
e) Deeper Affordability Targeting	30
f) Location	10
TOTAL	100

The following table illustrates the proposed unit mix of Broadstone Walk. A goal of the Affordable Housing Development Program is to provide housing affordable to households earning 40% of the AMI or less. Approximately 12% of the units at Broadstone Walk will be affordable at this income level.

4% Development Proposal	Location	Unit AMI Level					
		30%	40%	50%	60%	70%	80%
Broadstone Walk	Apex	0	20	40	40	64	0

Another goal is to increase access to quality affordable housing units for individuals in

need of permanent supportive housing. Wake County requires that 10% of every development's units be set aside for the County's rental assistance program. DHIC will set aside 12% of the units at Broadstone Walk for the County's rental assistance program, in addition to 10% of units for NCHFA's Key program. The table below shows the number of supportive units, as well as the proposed rents ranges for all units in the development.

4% Development Proposal	Location	Supportive Units			Request	Proposed Rent & Utility
		Wake	Other	Total		
Broadstone Walk	Apex	20	16	36	\$ 3,000,000	\$699 - \$1,574

County loan terms consist of 1% interest during construction and 1% on the permanent loan for a 30-year term. The loan will be fully-amortizing with a variable repayment schedule. During construction and in the permanent phase, Wake County would hold second lien position. A bank loan would hold first lien position and the Town of Apex would hold third lien position. Approximate funding sources are illustrated in the table below.

Broadstone Walk Lender Summary	Funding Request
Bank (approx.)	\$ 21,380,000
Wake County	\$ 3,000,000
Town of Apex Loan	\$ 1,000,000
Federal Tax Credit Equity (approx.)	\$ 7,824,989
Deferred Developer Fee	\$ 348,583
Total	\$ 33,553,572

Attachments:

1. Site Map