

Wake County Preservation Fund

Board of Commissioners Update

April 12, 2021

Agenda

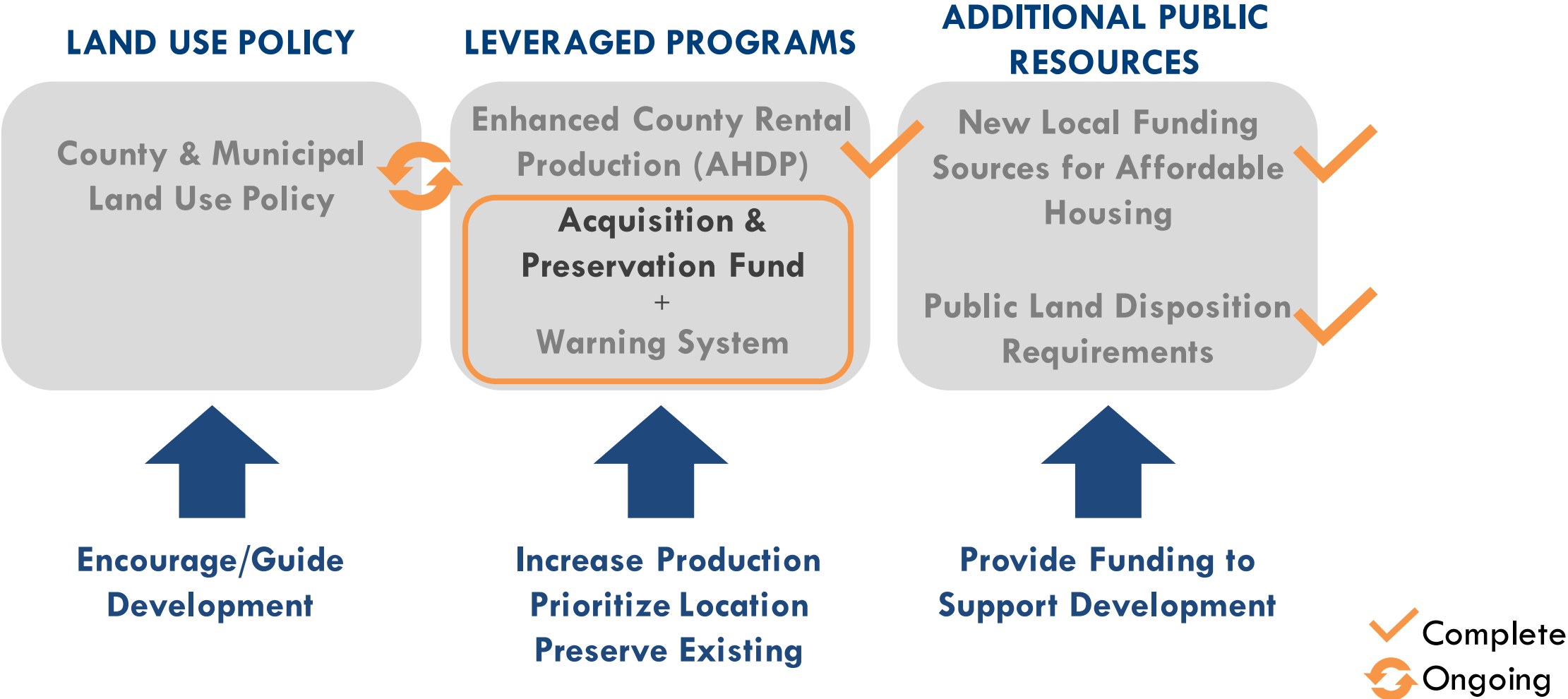
The Need for Preservation

Recap Fund "Products"

Funding Efficiency & Next steps

Acquisition/preservation funds, paired with a preservation warning system, are tools to prioritize location and preserve existing stock.

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



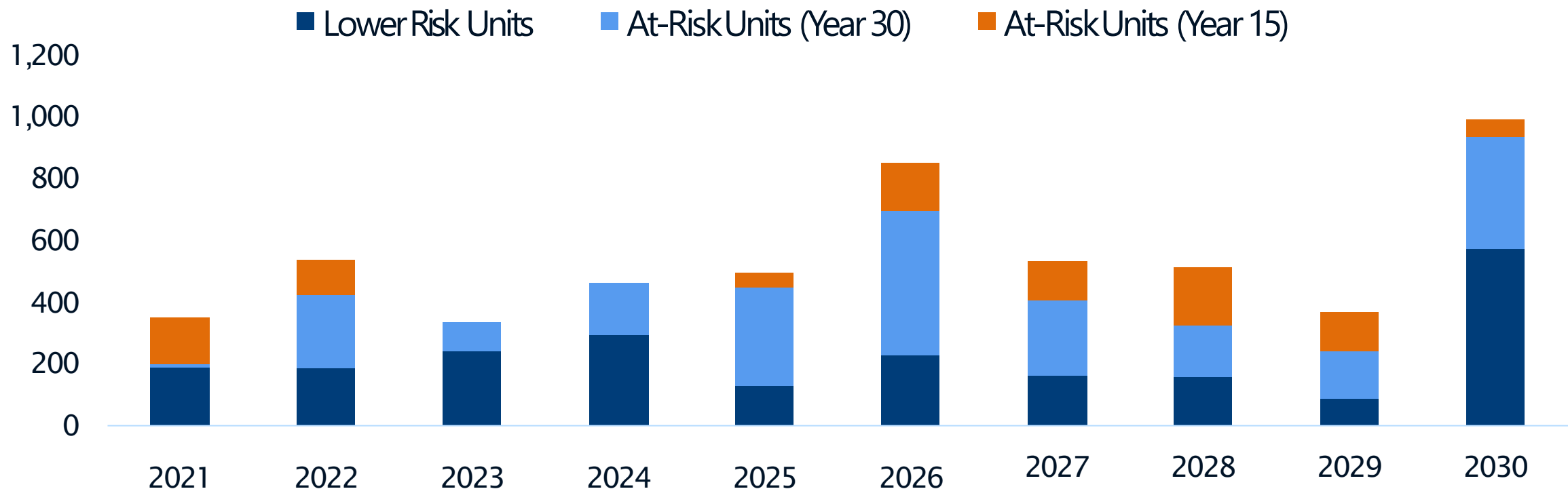
A faint, light blue map of North Carolina is centered in the background of the slide.

The Need for Preservation

Preservation Need | Subsidized housing units in the WakeCounty market are at risk of losing affordability.

Upcoming Subsidized Unit Expiration WakeCounty, 2019 - 2030

3,200 units at greatest risk of expiring over the next 10 years

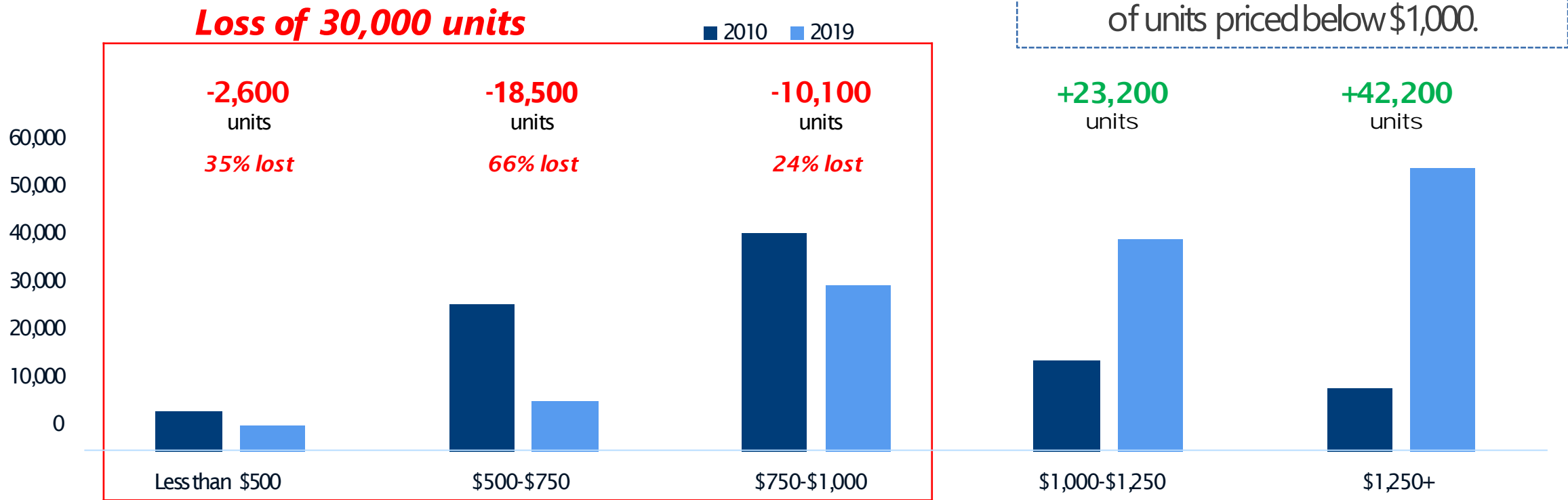


Sources: NHPD, HR&A Advisors.
Note: Based on expiring for-profit and profit motivated expiring subsidy in census tracts with median rent income greater than \$900/mo

Preservation Need | The WakeCounty market is rapidly losing market rate units rented at affordable prices.

Loss of Affordable Rental Units

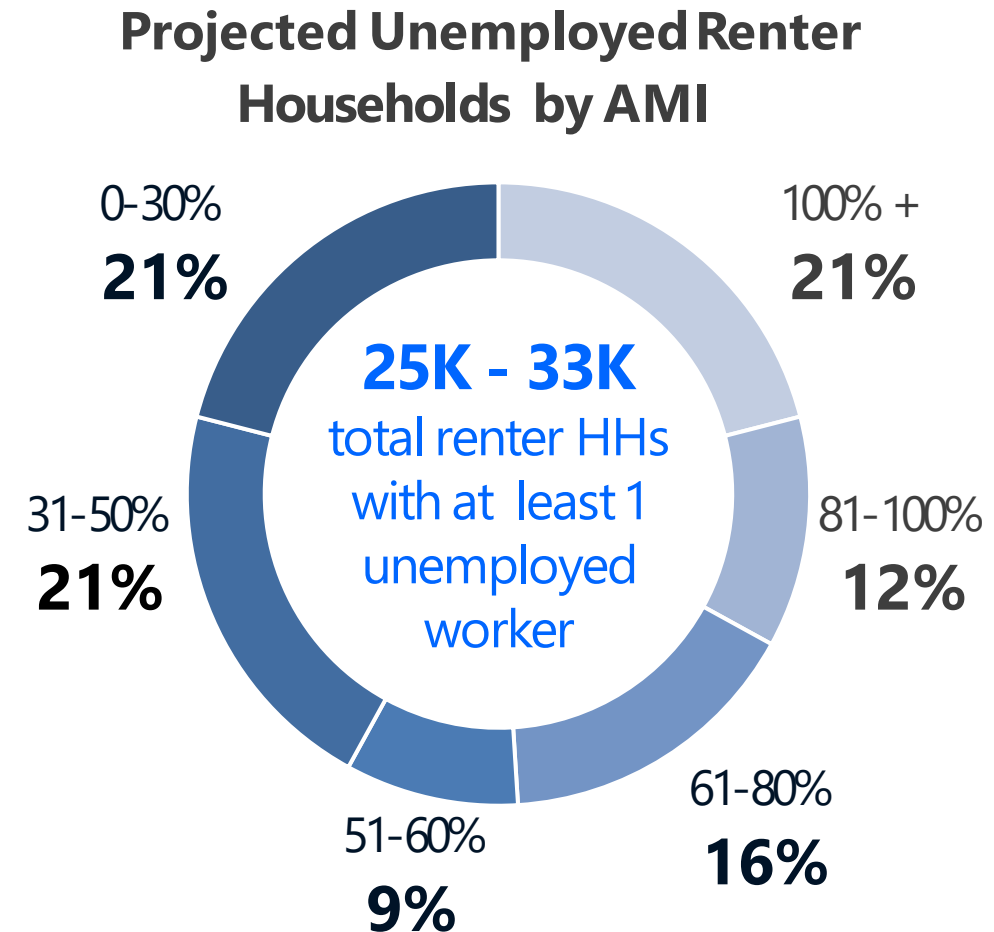
Wake County, 2010 and 2019



Source: ACS 5-Year 2010, 2019 Estimates

Preservation Need | COVID-19 has exacerbated the problem.

- There are approximately 140,000 renter households in Wake County.
- 60,000 – 80,000 total Wake households were likely to have at least one unemployed worker by end of 2020
- 17,000 – 22,000 or 67% of renter households with at least one unemployed worker as of Fall 2020 are below 80% AMI.



Sources: Congressional Budget Office, ACS PUMS 2014-2018, St. Louis Fed
Note: Distribution of households by AMI are based on pre-COVID household income levels.

Preservation Need | Displacement occurs when prices rapidly increase.

Forest Hills in Garner, NC

- Units: 136
- 2020 Rent **\$920** for 1-bedroom; **\$1,057** for 2-bedroom.
- Property is 10.67 acres.
- Seller: Eller Capital Partners (for-profit).
- In 2017, previous owner gave all residents 30-days to vacate and stopped accepting housing-assistance payments. Over three years, this owner doubled their investment.



2017

Purchased for
(\$7.65M)

2020

Sold for
\$15.8M

A faint, light blue map of Wake County is centered in the background of the slide.

Recap Fund “Products”

Wake County is primed for a preservation fund.

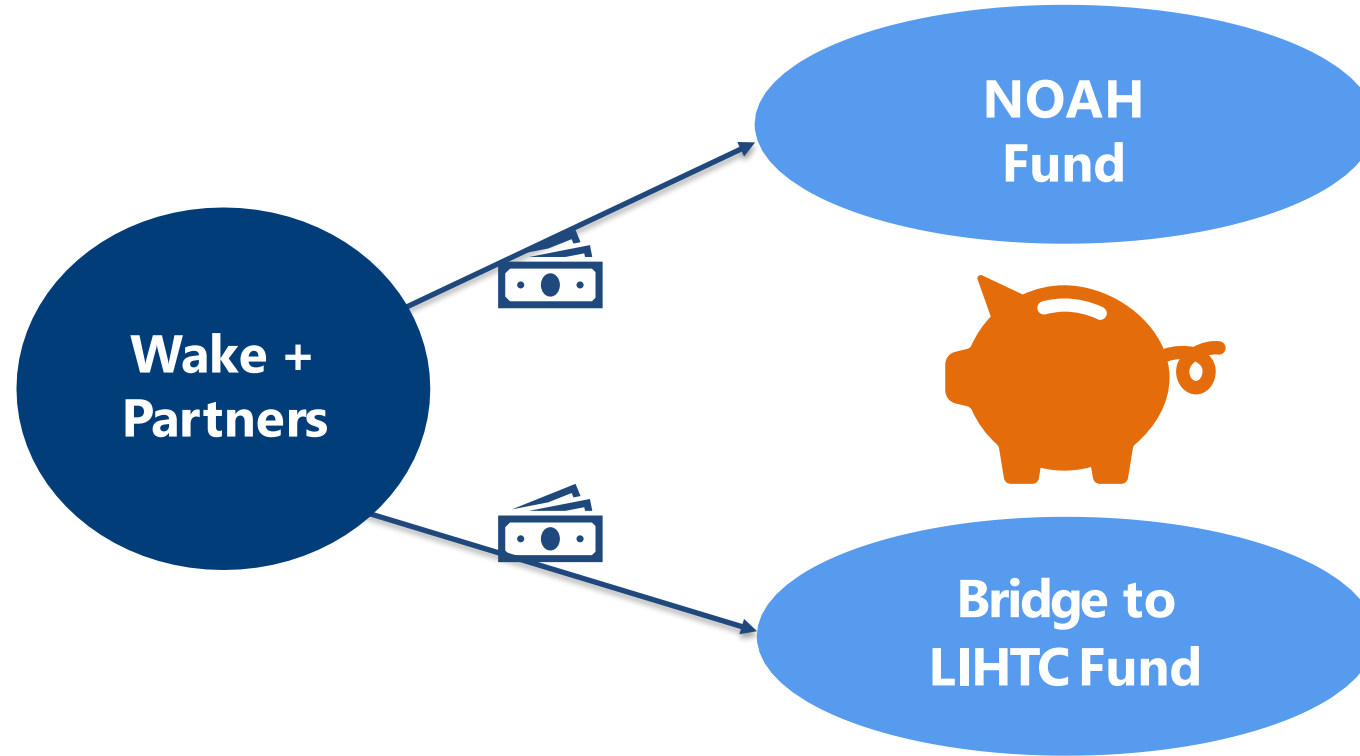


Fund Capitalization| The capital is managed by the Fund Administrator, criteria for lending is established in partnership with County



1. Wake County provides initial grant capital to Fund Admin

Fund Capitalization| The capital is managed by the Fund Administrator, criteria for lending is established in partnership with County



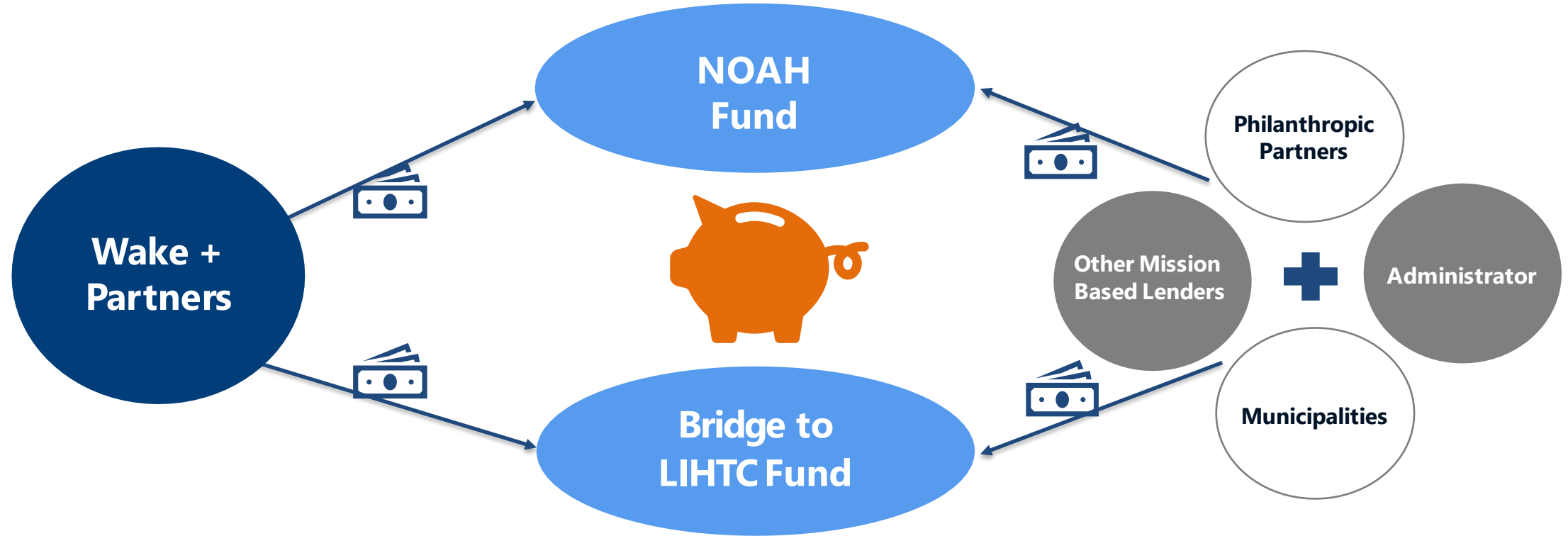
NOAH – Naturally Occurring Affordable Housing

LIHTC – Low-Income Housing Tax Credits

1. Wake County provides initial grant capital to Fund Admin

2. Admin Leverage Wake's capital to increase capital from Partners

Fund Capitalization| The capital is managed by the Fund Administrator, criteria for lending is established in partnership with County



1. Wake County provides initial grant capital to Fund Admin
2. Admin Leverage Wake's capital to increase capital from Partners
3. Mission based partners contribute low interest funding at 3 to 1 ratio

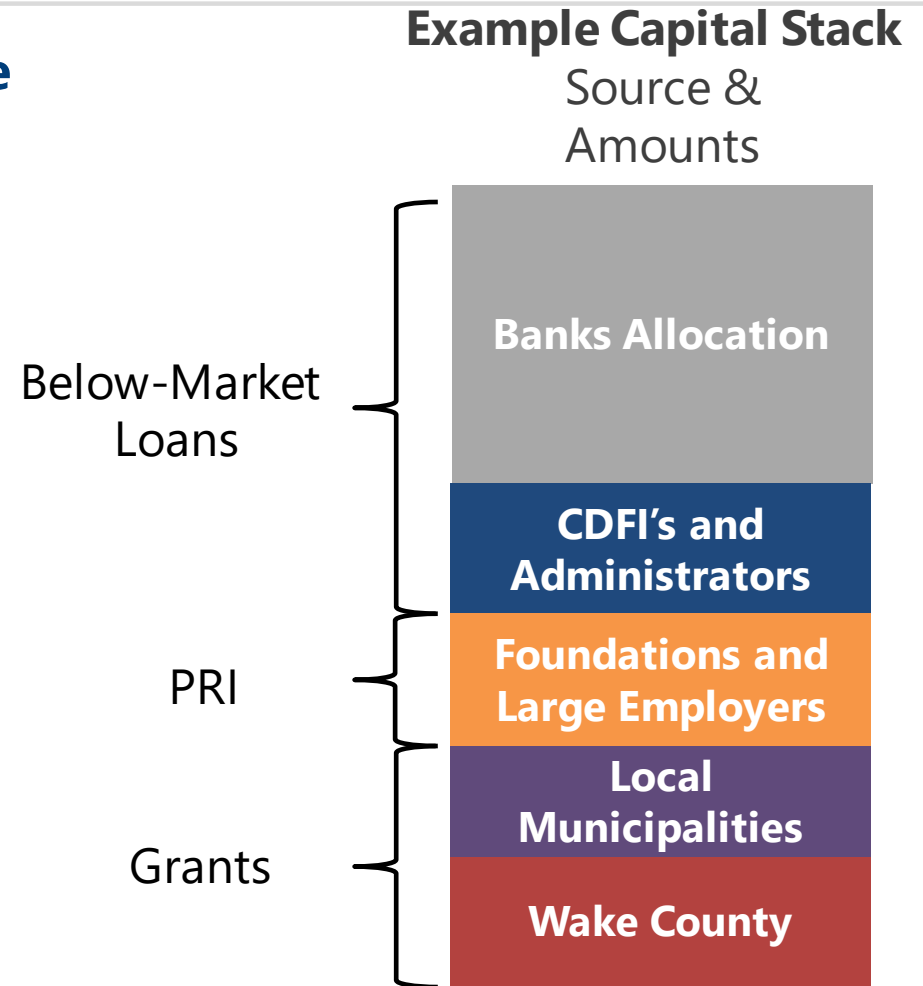
Housing funds are designed to leverage philanthropic and private financing to maximize impact.

Different fund partners fit in different places in the capital stack for a housing fund.

The primary considerations when evaluating different funding sources are – 1) repayment requirements; 2) interest rates; 3) term; 4) regulatory requirements.

Funder Types

- **Municipalities:** grants for fund and takeout financing
- **Foundations:** grants and Program Related Investments (PRI)
- **Large Employers and Institutions:** grants and PRI
- **CDFIs:** below market debt
- **Banks & financial institutions:** CRA, or regulatory, motivated debt



Fund Products | Two Fund Structures

Bridge to LIHTC Preservation

Purchase subsidized housing and use LIHTC financing to protect affordability

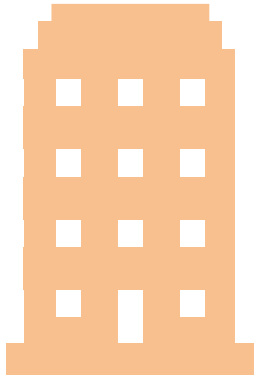


NOAH Preservation

Purchase and preserve affordability in non-subsidized housing

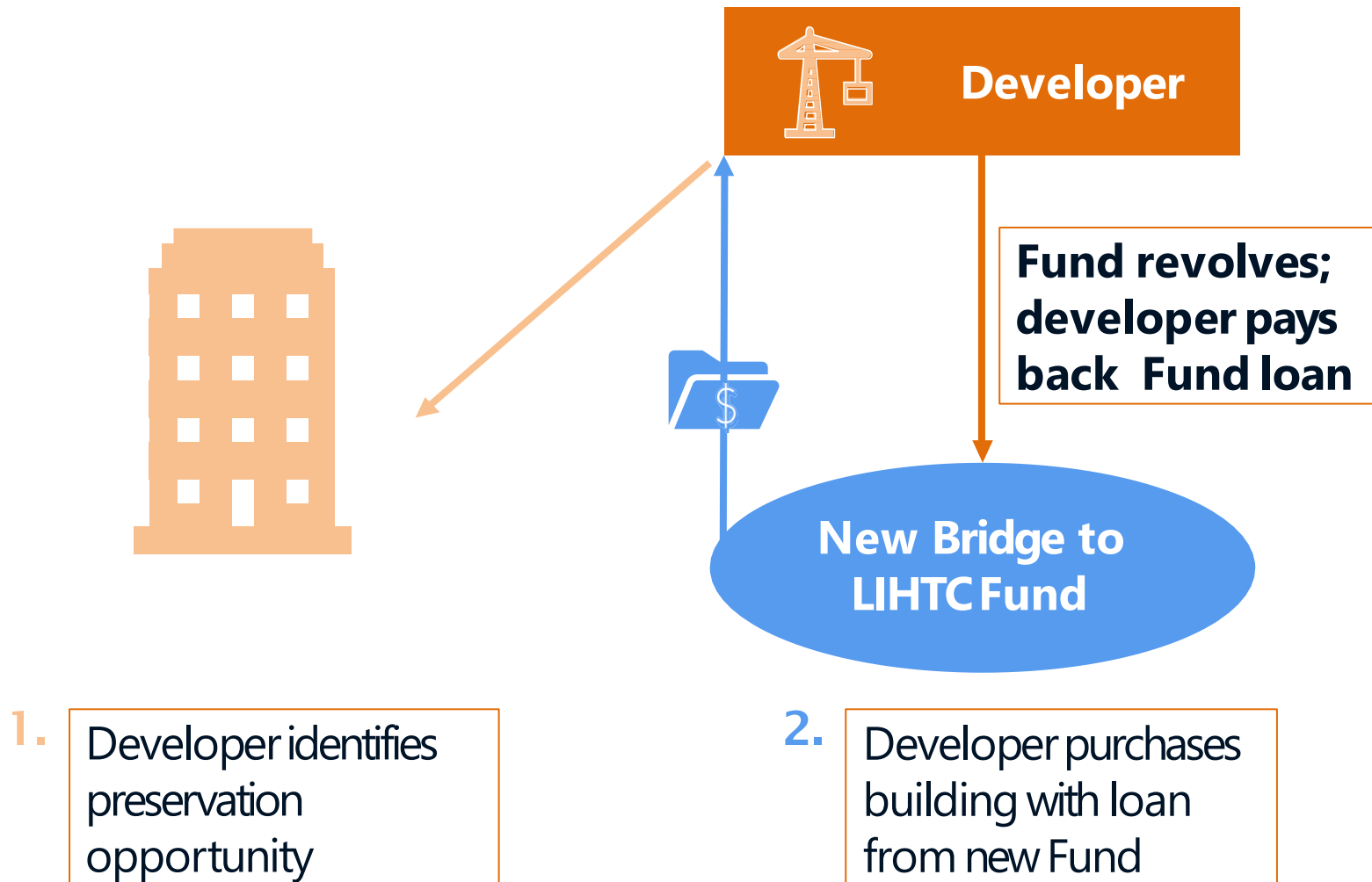


Bridge to LIHTC Preservation | The funds revolve— repayment allows new loans from the same fund.

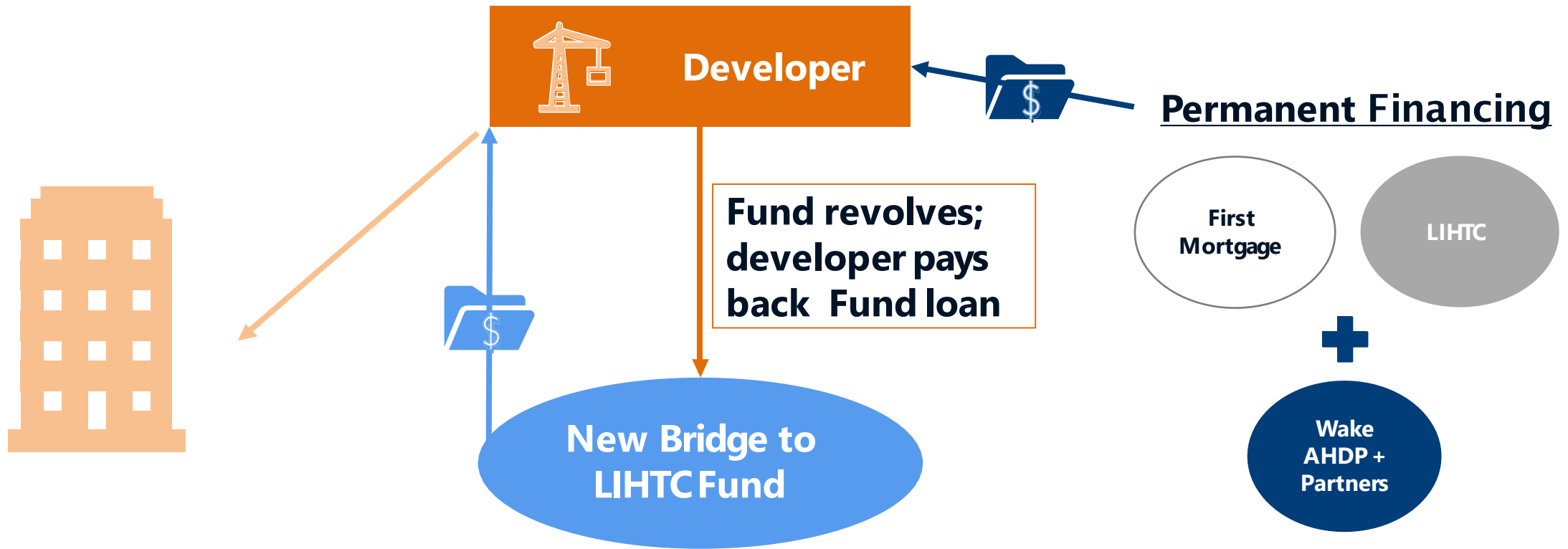


1. Developer identifies preservation opportunity

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

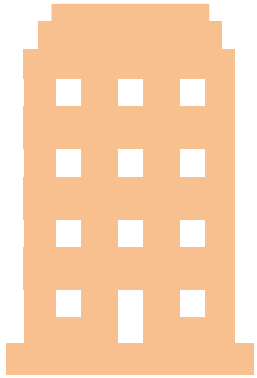


Bridge to LIHTC Preservation | The funds revolve— repayment allows new loans from the same fund.



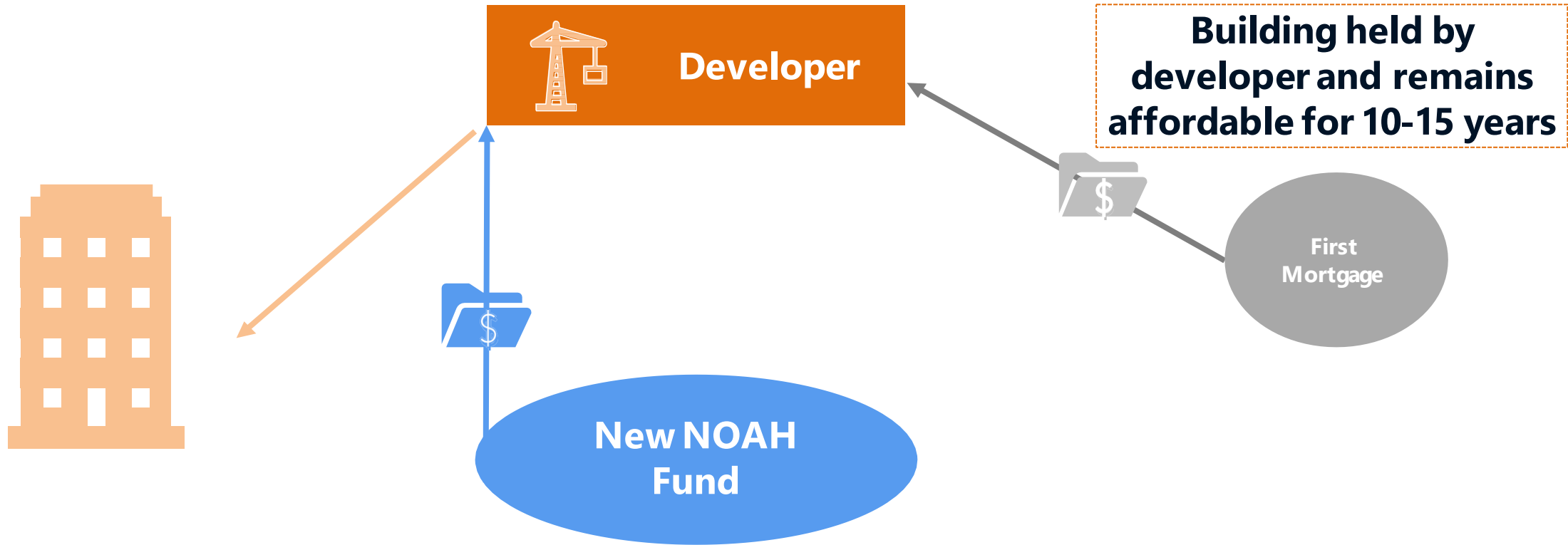
1. Developer identifies preservation opportunity
2. Developer purchases building with loan from new Fund
3. Developer secures first mortgage, receives LIHTC and additional permanent subsidy.

NOAH Preservation | In contrast to the UHTC bridge product, NOAH Preservation does not require several layers of other financing and does not revolve.



1. Developer identifies preservation opportunity

NOAH Preservation | In contrast to the LHTC bridge product, NOAH Preservation does not require several layers of other financing and does not revolve.



1. Developer identifies preservation opportunity

2. Developer purchases building with funds from NOAH Preservation Fund and First Mortgage

A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with various indentations and protrusions.

Funding Efficiency & Next Steps

Public Funding Efficiency | Both preservation products support affordability at a relatively low cost to Wake County.

	Bridge to LIHTC Preservation Fund	NOAH Preservation Fund	Existing AHDP and Local Gap Financing
Fund private leverage	3 private : 1 Wake	3 private : 1 Wake	None
Public \$/unit supported	\$14,700	\$12,500	\$26,200
Impact Timeline	Immediate	Immediate	2 years for new construction

Note: AHDP and Local Gap Financing are from 2017-2020 and includes contributions from municipalities which act as gap financing. These investments often support deeper affordability than a preservation fund would support.

Wake County's Leaking Affordable Housing Bucket

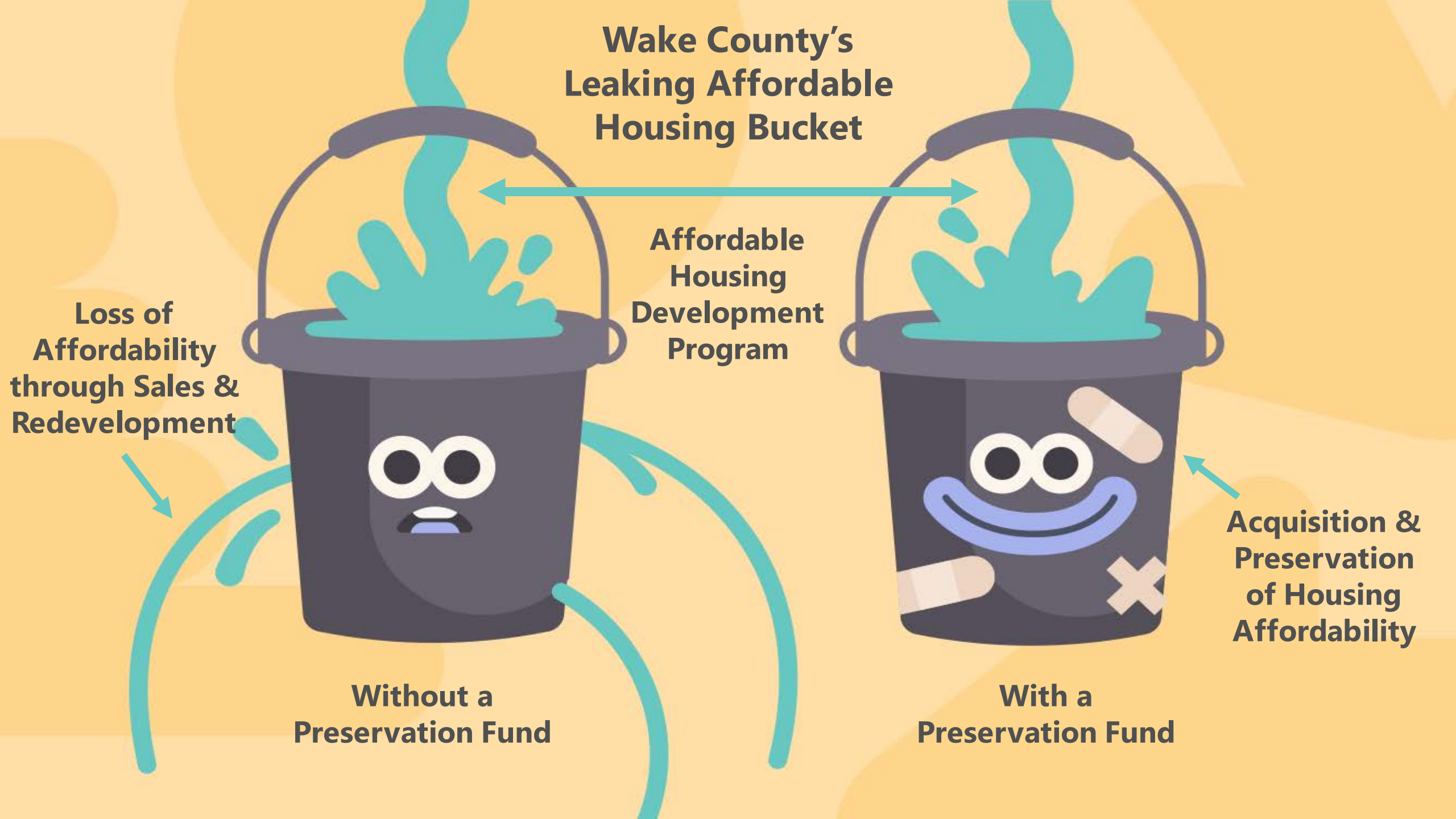
Affordable
Housing
Development
Program

Loss of
Affordability
through Sales &
Redevelopment

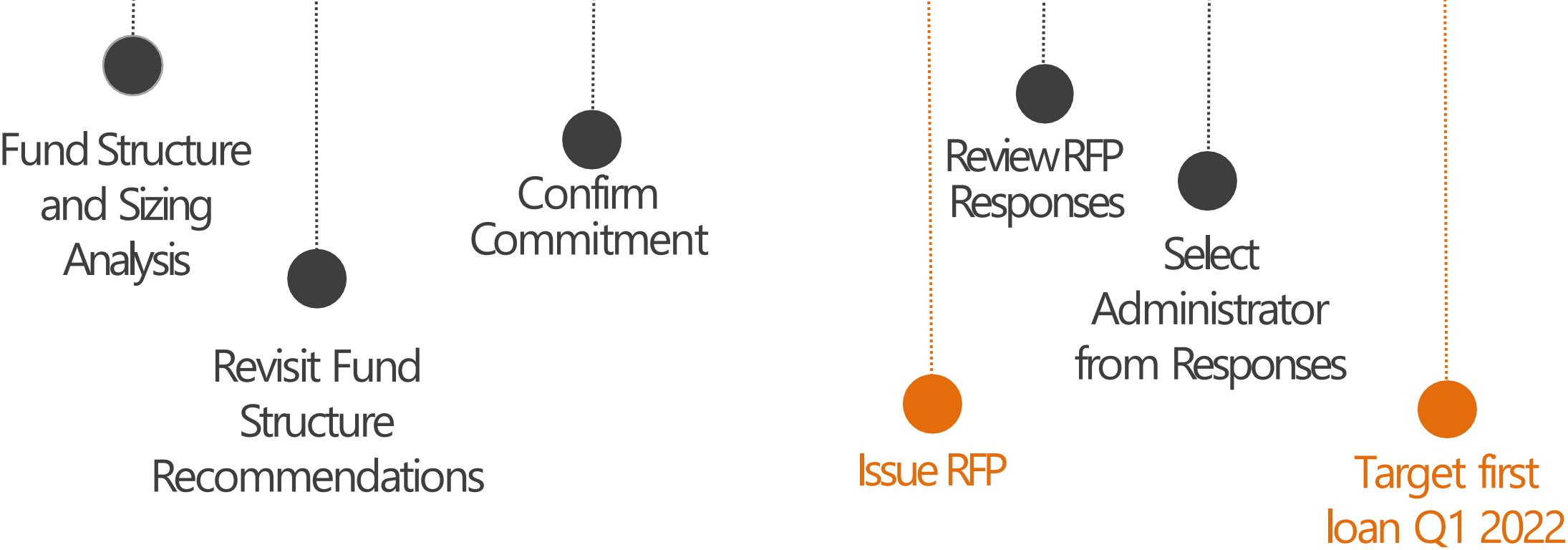
Acquisition &
Preservation
of Housing
Affordability

Without a
Preservation Fund

With a
Preservation Fund



Timeline





Questions?