

Item Title: Contract to Administer the Affordable Housing Preservation Fund

Specific Action Requested:
That the Board of Commissioners:

- 1. Authorizes the County Manager to enter into a multi-year contract between Wake County and Self-Help Ventures Fund to administer the Affordable Housing Preservation Fund, including the authority to process real estate loan transactions and enforce affordability restrictions.**
- 2. Approves a loan of \$10,500,000 to Self-Help Ventures Fund to capitalize the Affordable Housing Preservation Fund.**

All funding commitments are subject to terms and conditions acceptable to the County Attorney. All awards are also contingent on the basic terms as identified in the proposal.

Item Summary:

Purpose: The Board of Commissioners approves all Wake County multi-year contractual agreements and must delegate real estate transactions approval authority.

Background: In 2017, the Wake County Board of Commissioners approved the Comprehensive Affordable Housing Plan. One of the recommended tools was to create an affordable housing preservation fund to leverage funds from Wake County to raise outside capital from mission-oriented investors. This approach will fund the preservation of existing, legally-binding affordable housing and naturally occurring affordable housing throughout Wake County.

After a project delay due to the COVID pandemic, staff resumed work on the preservation fund in Fall 2020 with updated market data and a renewed focus on the economic impacts of COVID-19. On April 12, 2021, staff provided an update on the Preservation Fund at the Board of Commissioner's work session.

Staff issued an RFP for the service in late April. Of the responses submitted, Self-Help Ventures Fund was selected as the most responsive and responsible applicant. Wake County will enter into a multi-year services contract with Self-Help Ventures Fund to allow for the fund's operations. Wake County will issue a loan of \$10.5 million to provide initial capital for the fund to be leveraged with Self-Help Ventures Fund funds and investments from banks and philanthropic organizations. This Board action authorizes staff to proceed with this approach.

Board Goal: This action supports Community Health and Vitality Goal 5: Create affordable housing opportunities and support efforts to end homelessness.

Fiscal Impact: Through the FY 2020, FY 2021, and FY 2022 budget development processes, the County has allocated \$10.5 million in the Housing CIP Fund to support the Affordable Housing Preservation Fund project.

Additional Information:

The 2017 Wake County Affordable Housing Plan recommended creating a preservation fund to support the acquisition of existing legally binding affordable housing and naturally occurring affordable housing as an important affordable housing tool for Wake County. Housing staff collaborated with HR&A Advisors in 2019 to research and develop a revolving loan fund to provide short-term acquisition financing to preserve existing legally binding affordable housing and longer-term acquisition and permanent financing to support the preservation of naturally occurring affordable housing. Staff briefed the Board of Commissioners Affordable Housing Committee in November 2019 to share findings and discuss next steps. Staff were close to releasing an RFP in March 2020 when the COVID-19 pandemic emerged. The program was put on hold due to the market instability and to respond to the pandemic.

Wake County released RFP #21-036 seeking a qualified Affordable Housing Preservation Fund Administrator on April 23, 2021. Two organizations submitted responses. A review committee comprised of County Housing and Finance Departments, City of Raleigh Housing and Neighborhoods Department, and HR&A Advisors reviewed the proposals to determine the lead applicant. The evaluation focused on applicants' prior experience with:

- Affordable housing lending
- Government funds
- Revolving loan funds
- Proposed loan products
- Competitiveness to market products
- Financial health
- Staff capacity
- Fundraising capabilities.

The committee evaluated the proposals through analysis of written materials and interviews and determined that Self-Help Ventures Fund was the lead applicant. They proposed a \$61.2 million fund with two loan products. The first product will provide five-year acquisition financing to support the preservation of affordable housing using low-income housing tax credits. The second will be a 15-year acquisition-to-permanent financing loan for the acquisition and preservation of naturally occurring affordable housing without low-income housing tax credits.

Self-Help Ventures Fund will commit at least \$10 million of its own funds, with additional funds committed should they not reach their fundraising goal. Additionally, they agreed to provide recourse to all outside investors with its own balance sheet. Self-Help Ventures Fund will charge an interest rate spread of 1.75% to 2.25% over the Fund loan products

and 1.0% origination fees, chargeable directly to borrowers, to cover administration costs and to assure Self-Help Ventures Fund's guarantee of investor funds.

Wake County will enter into a multi-year services contract with Self-Help Ventures Fund to allow them to administer the Affordable Housing Preservation Fund, including leveraging the County's investment to raise capital from outside funders, originating, underwriting and servicing loans, monitoring borrowers, and reporting all data to Wake County Housing. Wake County will make a loan of \$10.5 million to provide the initial capital for the Fund. The City of Raleigh will request the commitment of \$4 million from City Council to be used within the City limits. The Administrator will raise funds from outside sources such as banks and charitable organizations to fully capitalize the Fund.

The County loan will be a 0% interest, 15-year, deferred loan due in full at the end of the 15-year period. These funds will be "top-loss," non-recourse in the event of loan defaults or non-performance. The County may re-invest its funding at the end of the initial 15-year loan term, and additional outside funds may be leveraged during the life of the Fund. The initial contract term will also be 15 years, with an option for renewal at the end of the term depending on Administrator performance. Housing staff will monitor Fund and Administrator performance quarterly and annually, including loan production, underwriting processes, and loan performance.

Attachments:

1. Presentation