

STAFF REPORT
Affordable Housing Fund Request

April 26, 2022 Town Council Meeting



On March 25, 2021 Town Council approved two prior Evergreen Construction Company (Developer) Fiscal Year (FY) 2022-23 funding requests from the Town’s Affordable Housing Fund (AHF) for the Abbey Spring residential affordable housing senior (55 yrs. +) rental project (Project). The prior FY 2022-23 funding request included: (1) a 30-year term, two-percent (2%) interest rate loan in the amount of \$500,000 for permanent financing, and (2) grant totaling \$171,700 for reimbursement of a parks and recreation fee-in-lieu. The proposed Project will include a total of eighty-four (84) residential affordable housing senior (55 yrs. +) rental units (Affordable Units). Ten percent (10%) of the Affordable Units within the Project will be set-aside for targeted populations such as disabled and homeless. An additional ten percent (10%) of the Affordable Units within the Project will be set-aside for Wake County Rental Assistance Housing Program (RAHP) voucher holders. The Affordable Units will be offered to households earning no more than thirty percent (30%) to sixty percent (60%) of the Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI), adjusted for family size, as published by the U.S. Department of Housing and Urban Development (HUD). This proposed Project will be the largest affordable housing senior (55 yrs. +) rental project in Town history. Table 1 below provides a summary of the Town’s affordable housing projects to-date.

Table 1
Town Affordable Housing Projects

Project Name	# of Affordable Units	Project Date
*Abbey Spring	84	Pending
Broadstone Walk	164	Approved, Construction Not Started
Beechridge	72	Completed 1999
West Haven	72	Completed 1998
Wake Acres	48	Completed 1983
White Oak Villas	16	Completed 2013
Oak Grove	10	Completed 1963
Kissena Lane	9	Under Construction
Total	475	

*Proposed project would be the largest affordable housing senior (55 yrs. +) project in Town history.

North Carolina General Statute (N.C.G.S.) 160A-20.1 provides authority for the Town to expend funds for public purposes, including providing affordable housing, and N.C.G.S. 157-3(12)(e) authorizes the Town “to provide grants . . . and other programs of financial assistance to public or private developers of housing for persons of low income, or moderate income, or low and moderate income.”

On January 22, 2022, the Developer submitted an additional \$500,000 permanent financing loan request to the Town for consideration due to increases in overall project costs, such as; (1) supply chain delays, (2) rising construction costs, (3) rising labor costs and (4) permanent financing mortgage interest rate increases. The Developer will competitively apply to the North Carolina Housing Finance Agency (NCHFA) for a nine percent (9%) Low-Income Housing Tax Credit (LIHTC), and if awarded the funding would provide a substantial amount of investment into the Project. In addition, the Developer recently applied to Wake County through their

competitive Affordable Housing Development Program (AHDP) Request for Proposals (RFP) application process for a maximum of up to \$1,940,000 for the Project. The Wake County Board of Commissioners are proposed to make final AHDP RFP funding awards prior to the nine percent (9%) NCHFA LIHTC application deadline of May 13, 2022. The Developer needs all financial commitments by no later than the nine percent (9%) NCHFA LIHTC application deadline of May 13, 2022.

LIHTC’s are federal tax incentives given to states who then award developers these credits for projects that meet certain criteria as outlined by both the state and federal government. Once developers are awarded, they go and market these tax credits to investors who will then purchase them in exchange for offsetting taxes otherwise owed over a ten (10) year period. Developers can then use the funding provided from the tax credit investors as equity in a project. However, the disbursement of the tax credit funding is subject to negotiation between the developer and an investor and in most cases, the bulk is only distributed upon stabilization because the credits are not officially awarded until the project is up and running. Because this is a negotiation process between the developer and an investor and due to other market factors, the developer’s equity pricing is not locked in until an investor formally accepts the terms and conditions.

Table 2 below shows the proposed budget impact to the AHF for the upcoming FY 2022-23.

**Table 2
Affordable Housing Fund Budget Summary**

Fund 21 – Affordable Housing	
FY 2022-23 Revenues	
Activity	Est. Dollar Amount
Est. Initial Starting Balance	\$1,500,000
Est. Total Revenues	\$1,500,000
FY 2022-23 Expenses	
Activity	Est. Dollar Amount
Apex Cares Housing Rehabilitation Grant	\$250,000
Abbey Spring Affordable Housing Project Grant	\$171,700
Abbey Spring Affordable Housing Project Loan	\$500,000
*Abbey Spring Affordable Housing Project Loan Additional Funding Request	*\$500,000
Reserved for Future Expenditures	\$78,300
Est. Total Expenses	\$1,500,000

*Subject to Town Council Approval

Table 3 below provides a summary of the estimated total Project costs itemized by funding source, dollar amount and percentage of funding.

**Table 3
Abbey Spring Estimated Project Budget**

Funding Source	Estimated Dollar Amount	Percentage (%) of Funding
Permanent Loan	\$3,000,000	17.53%
NCHFA RPP Loan	\$800,000	4.68%
*Wake County Loan (FY 2022-23)	\$1,940,000	11.34%
Town of Apex Grant (FY 2022-23)	\$171,700	1.00%
Town of Apex Loan (FY 2022-23)	\$500,000	2.92%
**Town of Apex Loan (FY 2022-23)	\$500,000	2.92%
NCHFA 9% Federal LIHTC Equity	\$10,198,980	59.61%
Est. Total Project Costs	\$17,110,680	100.00%

*Subject to Wake County Board of Commissioners Approval

**Subject to Town Council Approval

The primary goal of the Town’s AHF is to support affordable housing development. The Town’s FY 2022-23 funding to the Developer through this request would come in the form of a 30-year term, two-percent (2%) interest rate loan in the amount of up to \$500,000 for permanent financing. If the Developer is able to obtain the necessary financial commitments in order to receive project and underwriting approval, the Town would execute the following documents with the Developer to ensure compliance and regulatory requirements are carried out: (1) Development Agreement, (2) Promissory Note, (3) Deed of Trust and (4) other due diligence documentation. The Town’s funding to the Developer will also require a 30-year affordability restriction period to ensure rents remain affordable long-term, which is consistent with NCHFA LIHTC regulations.

Staff Recommendation:

Planning staff recommends approval of up to \$500,000 for this FY 2022-23 AHF loan request in order to provide the Developer with the necessary financial commitments needed for the Project and in order to meet the nine percent (9%) NCHFA LIHTC application deadline of May 13, 2022.



EVERGREEN CONSTRUCTION COMPANY

January 22, 2022

Mr. Shawn Purvis
Assistant Town Manager
Town of Apex
73 Hunter Street
Apex, NC 27502

Mr. Christopher Valenzuela
Housing Program Manager
Town of Apex
73 Hunter Street
Apex, NC 27502

Re: Abbey Spring Funding Request

Dear Mr. Purvis & Mr. Valenzuela:

Abbey Spring – A Senior Living Community is a proposed new construction development that is to be located on the parcel next to 511 W Williams Street in Apex. The project will consist of (42) one-bedroom, one bath units and (42) two- bedroom, one bath units for persons 55 years of age and older. The building will be a 3 story L shape design, served by two elevators with all residential units opening into an interior hallway. The main entrance will have a call panel system will all exterior doors self-locking. On-site amenities will include a main lobby, a TV lounge area, a computer center, a fitness center, a multi-purpose room with kitchen, coin-op laundry facilities and tenant storage areas.

All 84 units will be affordable to seniors at or below 60% of the area median income with a portion of those set aside at or below 50%, 40% and 30% of the area median income. In addition, 10% of the units will be targeted to persons with disabilities or who are homeless with KEY rental assistance available to those persons through the North Carolina Housing Finance Agency (NCHFA) and 10% will be set aside for Wake County Rental Assistance Housing Program (RAHP) holders.

This proposal has been submitted to the North Carolina Housing Finance Agency as a 2022 application, requesting 9% credits along with a \$800,000 RPP loan request. A funding request has also been made to Wake County in the form of a construction/permanent loan in the amount of \$1,940,000 at a 2% rate with a 30-year term and amortization period. Funding requests to Wake County also require the applicant to request financial support from local municipalities that offer gap financing for affordable housing. In order for our proposal to be competitive, Evergreen is requesting the Town of Apex provide a permanent loan in the amount of \$1,000,000 at the same terms as the county's loan request, along with a \$171,700 parks and recreation fee reimbursement. I have included the applications sent to Wake County and to NCHFA for the town to get a better understanding of our proposal.

I believe this development will provide a much-needed housing alternative for Apex's growing senior population.

Please advise if I can be of further service.

Sincerely,

Timothy G. Morgan
President



Equal Housing Opportunity



This institution is an equal opportunity provider and employer

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