

**STAFF REPORT**  
**Affordable Housing Fund Request**

January 11, 2022 Town Council Meeting



On November 9, 2021 Town Council approved a DHIC, Inc. funding request of \$500,000 in the form a 30-year term, one-percent (1%) fixed interest rate loan for construction through Budget Ordinance Amendment No. 9 to the Broadstone Walk project from the Town’s Affordable Housing Fund (AHF). In addition, on December 15, 2020 Town Council approved \$1,000,000 in the form of a 30-year term, one-percent (1%) fixed interest rate loan for construction and \$165,000 grant to offset water and sewer capital reimbursement fees to the Broadstone Walk project from the Town’s AHF. The DHIC, Inc. Broadstone Walk project will include a total of 164 affordable rental units, affordable to those who earn between 40% - 60% of the Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI). This proposed project will be the largest one-hundred percent (100%) affordable housing project in Town history. Table 1 below provides a summary of the Town’s one-hundred percent (100%) affordable housing projects.

**Table 1**  
**Town Affordable Housing Projects**

<b>Project Name</b>	<b># of Affordable Units</b>	<b>Housing Tenure Type</b>	<b>Project Date</b>
*Broadstone Walk Apartments	164	Rental	Est. Start – Q2/Q3 2022
Beechridge Apartments	72	Rental	Completed 1999
West Haven Apartments	72	Rental	Completed 1998
Wake Acres Apartments	48	Rental	Completed 1983
White Oak Villas	16	Ownership	Completed 2013
Oak Grove	10	Rental	Completed 1963
Kissena Lane	9	Ownership	Under Construction
<b>Total</b>	<b>391</b>		

\*Proposed project would be the largest affordable housing 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 August 13, 2021 DHIC Inc. was awarded a four-percent (4%) Low-Income Housing Tax Credit (LIHTC) which includes a tax-exempt bond through the North Carolina Housing Finance Agency (NCHFA). Shortly after receiving a NCHFA 4% LIHTC award notification, DHIC, Inc. updated their overall project underwriting analysis. Due to the following conditions: (1) rising construction costs, (2) a decrease in equity pricing, (3) a first mortgage loan interest rate increase, and (4) LIHTC investor income averaging requirements requiring deeper affordability; DHIC, Inc. identified a funding gap necessary to complete the project of approximately \$1,500,000. However, after Town Council approved an additional \$500,000 to the project at their November 9, 2021 regular meeting, the remaining funding gap was lowered to approximately \$1,000,000.

LIHTC's are federal tax incentives given to states who then award developers such as DHIC, Inc. these credits for projects that meet certain criteria as outlined by both the state and federal government. DHIC, Inc. once awarded, then goes and markets these tax credits to investors who will then purchase them in exchange for offsetting taxes otherwise owed over a ten-year period. DHIC, Inc. can then use the funding provided from the tax credit investors as equity. However, the disbursement of the tax credit funding is subject to negotiation between DHIC, Inc. 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 DHIC, Inc. and an investor and due to other market factors, DHIC's equity pricing decreased from \$0.90 to \$0.87 which reflects the current investor market for tax credits.

To-date Wake County has committed \$3,000,000 of funding to the project. In addition, Wake County is considering contributing an additional \$500,000 to the project at their January 3, 2022 Board of Commissioners regular meeting. The remaining \$500,000 of gap funding is proposed to come from the Town's AHF from fiscal year (FY) 2021-22 revenues. In the Town's FY 2021-22 annual operating budget regarding the AHF, the initial balance was \$1,596,000. In addition, there was \$21,000 of prior year carryover which brought the total FY 2021-22 AHF starting balance to \$1,617,000. In the FY 2021-22 AHF budget, the Broadstone Walk project was originally budgeted for \$500,000 and the Apex Cares Housing Rehabilitation Program (Apex Cares Program) for \$250,000 which left \$867,000 of unallocated funds remaining. However, on November 9, 2021 Town Council approved an additional \$500,000 to the Broadstone Walk project through Budget Ordinance Amendment No. 9 from the AHF which left \$367,000 of unallocated funds remaining. The Town contracts with Rebuilding Together of the Triangle (RTT) to help administer the Apex Cares Program. To-date the Apex Cares Program, which is a new program, has only expended \$100,000 of their original \$250,000 budget from FY 2020-21. The original FY 2020-21 Agreement for Housing Rehabilitation Program Administration Services (Agreement) with RTT included a one-year term from December 4, 2020 to December 4, 2021. Due to the Apex Cares Program being a new program, RTT expressed to Town staff that they needed additional time to expend the remaining FY 2020-21 funding. As a result, an amendment to the Agreement was fully executed with RTT on August 25, 2021 to extend the term of the original FY 2020-21 Agreement to June 30, 2022. This left the Apex Cares Program with \$250,000 of unused budgeted funds in FY 2021-22. As a result, \$150,000 is proposed to be reappropriated from the FY 2021-22 Apex Cares Program budget along with \$350,000 of AHF unallocated funds to the Broadstone Walk project in order to fully fund the \$500,000 gap funding request. This proposed budget amendment would still leave the Apex Cares Program budgeted at \$100,000 for FY 2021-22. Table 2 below shows the proposed budget amendment and impact to the AHF for FY 2021-22.

**Table 2  
Affordable Housing Fund Budget Summary**

<b>Fund 21 – Affordable Housing</b>		
<b>Revenues</b>		
<b>Activity</b>	<b>Prior Approved FY 2021-22</b>	<b>Proposed Amended FY 2021-22</b>
Initial Starting Balance	\$1,595,000	\$1,595,000
Interest Earned/Prior Year Carryover	\$22,000	\$22,000
<b>Total Revenues</b>	<b>\$1,617,000</b>	<b>\$1,617,000</b>
<b>Expenses</b>		
<b>Activity</b>	<b>Prior Approved FY 2021-22</b>	<b>Proposed Amended FY 2021-22</b>
DHIC, Inc. Broadstone Walk	\$1,000,000	\$1,500,000
Apex Cares Program	\$250,000	\$100,000
Reserved for Future Expenditures	\$367,000	\$17,000
<b>Total Expenses</b>	<b>\$1,617,000</b>	<b>\$1,617,000</b>

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

**Table 3  
Broadstone Walk Project Budget Summary**

<b>Funding Source</b>	<b>Dollar Amount</b>	<b>Percentage of Funding</b>
Permanent Loan	\$17,619,000	50.67%
Wake County (FY 2020-21)	\$3,000,000	8.63%
<b>*Wake County (FY 2021-22)</b>	<b>\$500,000</b>	<b>1.44%</b>
Town of Apex (FY 2020-21)	\$665,000	1.91%
Town of Apex (FY 2021-22)	\$1,000,000	2.88%
<b>**Town of Apex (FY 2021-22)</b>	<b>\$500,000</b>	<b>1.44%</b>
Deferred Developer Fee	\$1,107,000	3.18%
Federal LIHTC Equity	\$10,380,737	29.85%
<b>Est. Total Project Costs</b>	<b>\$34,771,737</b>	<b>100.00%</b>

\*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 funding to DHIC Inc. through this request would come in the form of a 30-year term, one-percent (1%) fixed interest rate loan in the amount of \$500,000 for construction costs. If DHIC, Inc. is able to obtain the necessary financial

commitments in order to receive project and underwriting approval, the Town would execute the following documents with DHIC, Inc. 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 DHIC Inc. 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 the additional \$500,000 gap funding request to DHIC, Inc. for the Broadstone Walk affordable housing project in order to complete the project.