




December 9, 2020

**To:** Mayor Gilbert and Town Council  
**Cc:** Drew Havens, Town Manager  
**From:** Shawn Purvis, Assistant Town Manager   
**Re:** DHIC Broadstone Walk Support Request

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The purpose of this memo is to provide information related to the financial support requested by DHIC for the Broadstone Walk project. This memo provides a brief background of the project, the purpose of the financial support, and information on the fiscal impact on the Town.

### **Background**

Town Council received information regarding a proposed affordable housing complex by DHIC called Broadstone Walk at their February 2020 CIP work session. The 164-unit complex would be located on S. Hughes Street near the Apex Peakway. At the time, DHIC was pursuing a nine percent tax credit for the project and the support needed from the Town was unknown. Unfortunately, DHIC did not received the 9-percent credit. They restructured their proposal to apply for a four percent tax-exempt bond, which they will submit in January. The revised pro forma for the project initially included a grant request for water and sewer capital reimbursement and a loan request for \$800,000 from the Town. DHIC requested \$3.2 million in loan funding from Wake County. County staff anticipates recommending approval at the Board of Commissioners meeting on January 4, 2021, noting, "The proposed development has a weighted average affordability of 58.5%, with approximately 41% of its units affordable to households earning 40% and 50% of the AMI."<sup>1</sup>

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."

### **Discussion**

DHIC is requesting a grant for \$165,000 to offset water and sewer capital reimbursement fees. Initially DHIC intended to request an \$800,000 loan from the Town. Recent discussions between the County and DHIC, however, have forced DHIC to re-evaluate the project's unit mix and rate strategy, which could result in an increase in some unit rents or a change in the mix of units at different affordability levels. DHIC is confident in Broadstone Walk's existing unit mix and rent strategy and feels revisions could affect the overall marketability of the project. To retain the originally proposed rates and unit mix, DHIC is requesting an increase of \$200,000 for a loan amount up to \$1 million from the Town. The terms of the loan would mirror the County's model of one percent interest during construction and one percent on the permanent loan for a 30-year term. The loan would be fully amortizing with a variable repayment schedule. During construction and in the permanent phase the Town of Apex would hold third lien, subordinate to a bank loan and Wake County.

Funding for the grants and loan would come from the Town's Affordable Housing Fund (AHF). The FY20-21 Adopted Budget included \$1,020,000 in the fund. This fiscal year Town Council has approved \$85,000 in grants

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<sup>1</sup> Wake Co. Housing Affordability & Community Revitalization Department recommendation to Wake County Board of Commissioners

for the Kissena Lane affordable housing project and \$250,000 for the newly developed Apex Cares Housing Rehabilitation Program, leaving \$685,000 available in the AHF. Although DHIC is seeking a commitment of funds now, the project will not require cash from the Town until FY21-22. Town Council can commit funds from expected future earnings and split the grant and loan funds between the current fiscal year and next fiscal year. Based on current trends, the Town can expect a cent on the tax rate to equal between \$1.05 million and \$1.1 million in FY21-22. Splitting the request equally between two fiscal years and accounting for \$250,000 for the Apex Cares Program in FY21-22, would leave \$102,500 in the AHF for the current year and \$217,500 in FY21-22.

### **Recommendation**

The Broadstone Walk project aligns with Town Council's goal to increase affordable housing options in Apex. Committing funds to the project would support a Town Council initiative. If Town Council chooses to support the project financially, the second decision is determining the amount of the loan. DHIC initially intended to request \$800,000 and increased their request to \$1 million to maintain their proposed affordable unit mix and rate structure. It is important to note that Town staff will present the Apex Affordable Housing Plan to Town Council in January for adoption. Multiple initiatives and programs will likely result from the plan that will require funding. When deciding the loan amount, Town Council should consider the impact the loan amount would have on DHIC's rate strategy as well as the impact on the Town's available funds for other projects and programs.