

Update on Affordable Housing Loan Fund



November 29, 2023



Agenda

1) AHLF Overview

2) Current Fund Proposal

3) Funding Recommendation

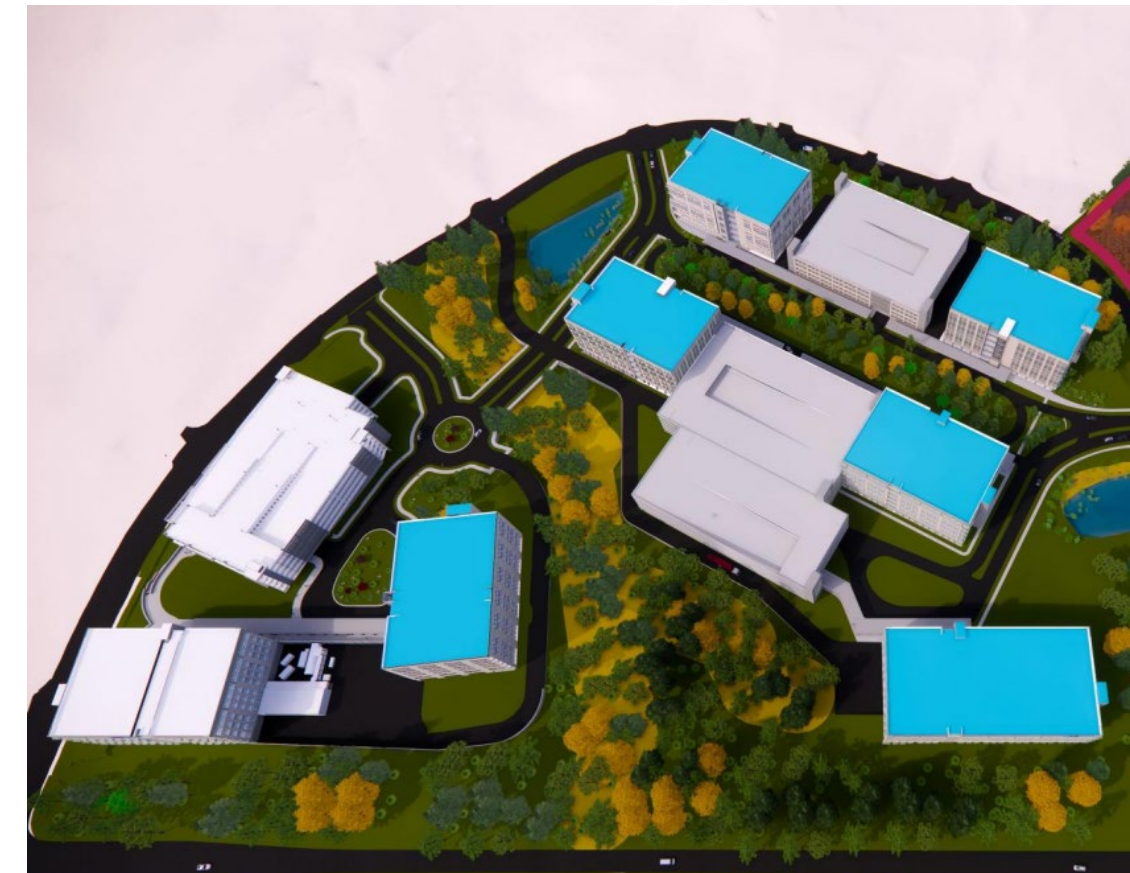


Council Consideration

Receive update and consider approving funding for the Affordable Housing Loan Fund

Affordable Housing Loan Fund – Status Update

- Council approved zoning for UNC Health Eastowne project (June 2023)
 - Included \$5M for AH Loan Fund
- Staff researched best practices & drafted RFP (Summer 2023)
- Staff released RFP for a fund administrator & selected Self-Help (Fall 2023)
- Staff identified funding sources for Town contribution (Fall 2023)



What is an Affordable Housing Loan Fund?

A dedicated pool of public and private loan funds for affordable housing projects.

- Potential Uses:
 1. Acquisition and rehab of NOAH
 2. Acquisition and rehab of subsidized affordable housing
 3. Construction of new affordable housing
- Typically managed by 3rd party fund administrator
- Leverages substantial resources from financial institutions

Why Create an Affordable Housing Loan Fund?

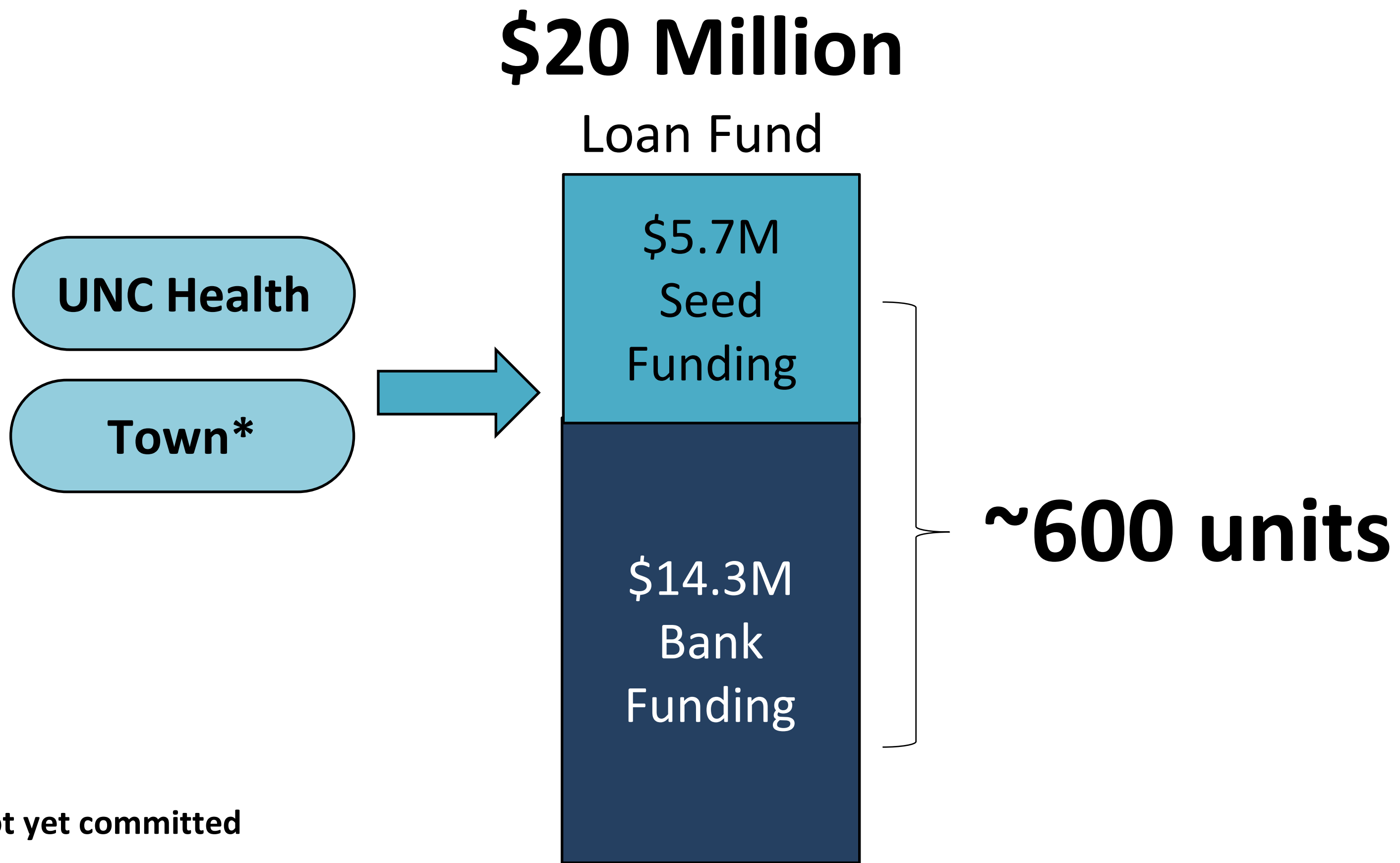
- Key strategy identified in our AH Plan & Preservation Strategy Framework
- High impact, high leverage tool
- Provides quick access to resources at a time when Town funding is limited
- Helps prevent loss of affordable housing due to redevelopment
- Potential source for creating new units



Local Fund Examples

Fund Name	Amount	Loan Period	Eligible Uses	Top Tier Funders	Impact
Durham AH Loan Fund (2019)	\$10M	10 years	Acquisition	City of Durham, Duke Univ (~30%)	1 st round of funds expended as 5-year loans in 3 years, supported >200 units
Wake County AH Preservation Fund (2022)	\$61.6M	20 years	Acquisitions	Wake County, City of Raleigh (~25%)	Est. to support >3,100 units
Greensboro Housing Fund (2023)	~\$30M	15 years	Acquisition, refinance, rehab, possibly new construction	City of Greensboro, Community Foundation	Est. to preserve 900-1,100 units

Chapel Hill Fund Composition & Potential Impact



*Funding not yet committed

Proposed Chapel Hill Loan Fund Products

- 1) **Short-term (5 years) revolving bridge loans:** to help acquire or maintain existing NOAH and subsidized housing approaching end of affordability period.
- 2) **Low-interest permanent (15-year) financing:** to support acquisition, rehabilitation, construction or refinancing of affordable housing to ensure long-term affordability.

Considerations for Chapel Hill AH Loan Fund

- Relatively small Chapel Hill market makes timing of full deployment less certain
- Projects seeking permanent loan product may need additional gap financing, especially if targeting lower AMI households
- Maximizing top tier funding critical to attracting additional fund investors

Recommendation for Town Funding

- **\$715,000 in Town funding** to complement UNC Health's contribution

Proposed Funding Sources:

- General Fund
- Affordable Housing Fund

Next Steps

- Town establish agreement with fund administrator – Winter 2023
- Town/Self-Help launch fund, close on 3rd party funders – Summer 2024
- Implement investment strategy to identify supplemental resources (Summer/Fall 2024)
- First loan closings – December 2024
- Full fund deployment – December 2028 (Year 5)
- Provide regular updates to Council through quarterly reporting (ongoing)
- Completion of 20-year fund term – Summer 2044

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Update on Affordable Housing Loan Fund



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NOAH Inventory At-Risk

- Nearly 2,000 NOAH units in 12 properties are 40+ years old
- AH developers are missing out on acquisition opportunities
 - Park Apartments
 - University Gardens
 - Regent Place



Project Examples

Grosvenor Gardens – CASA, Raleigh

- 2022 Acquisition of 62-unit historic affordable apartment community in downtown Raleigh



Scattered Site Acquisition - Durham Community Land Trust (DCLT)

- Purchased 54 scattered-site affordable units from single seller in East Durham



YWCA Acquisition – Reinvestment Partners, Durham

- 2019 acquisition of condemned YWCA building facing demolition



Chapel Hill Affordable Housing Loan Fund—Summary of Terms

	Revolving Bridge		Permanent Mezzanine	
	Nonprofit or Certified MWBE Developers	For-Profit, non-MWBE Developers	Nonprofit or Certified MWBE Developers	For-profit, non-MWBE Developers
Term (years)	5	5	15	15
Costs Financed (Up To)	100% acquisition + 10% repair	90%	30% <i>(coupled w/ 1st mtge.)</i>	25% <i>(coupled w/ 1st mtge.)</i>
Max Combined LTV	110%	90%	95%	90%
Equity Requirement	0%	10%	5%	10%
Interest Rate	4.40%*	4.40%*	3.70%*	3.70%*
Recourse to Borrower	Non-recourse for 50% of the top 25% of any losses	Full recourse	Full recourse	Full recourse
Deed restrictions added by CHAHLF	No additional; if no existing restrictions, affordability retention must be part of business plan	10-year deed restrictions	20-year deed restriction	20-year deed restriction
Origination Fee	1%	1%	1%	1%
Pre-payment Premium	None	None	None	None
Eligible Locations	Town of Chapel Hill and ETJ	Town of Chapel Hill and ETJ	Town of Chapel Hill and ETJ	Town of Chapel Hill and ETJ
Minimum Loan Size	\$500,000	\$500,000	\$500,000	\$500,000
Maximum Loan Size¹	\$7 million	\$7 million	\$7 million	\$7 million

Milestone	Timeframe
Submission of RFP Response	October 16, 2023
Notification of Selection and Final Approval by Town of Chapel Hill	Dec 2023- Jan 2024
Negotiation of uses, geographies, and other CHAHLF details	Feb - Mar 2024
Draft legal documents for CHAHLF with Town of Chapel Hill	Apr - May 2024
Start to identify projects/developers w/ Town of Chapel Hill	Jan 2024 onward
Outreach to potential borrowers	Apr 2024 onward
Third party investors identified and committed	Jan – May 2024
Finalization of product terms and allocation of Town funds	May – June 2024
Loan fund closing and execution of agreements with Town	May – June 2024
First draw of funds from Town	June – July 2024
Loan closings with third party funders	June -July 2024
First closing of CHAHLF loans	Fall - Winter 2024
\$2.5MM of Revolving Fund and \$2.5MM of Perm Fund deployed	Dec 2024 (year 1)
Full \$5MM Revolving Fund and \$5MM of Perm Fund deployed	Dec 2025 (year 2)
\$7.5M of Perm Fund Deployed	Dec 2026 (year 3)
\$10MM of Perm Fund Deployed	Dec 2027 (year 4)
Revolving Fund begins redeployment; full \$12.5MM of Perm Fund Deployed	Dec 2028 (year 5)
\$10MM total lending reached for Revolving Fund (1x revolved)	Dec 2029 (year 6)
\$15MM total lending reached for Revolving Fund (2x revolved)	Dec 2033 (year 10)
\$20MM total lending reached for Revolving Fund (3x revolved)	Dec 2037 (year 14)
\$25MM total lending reached for Revolving Fund (4x revolved)	Dec 2041 (year 18)*

*last tranche of loans must mature by end of 20-year fund term in 2044, bridge terms less than 5-years as needed to comply

c. Marketing and Engagement/Outreach

As a national organization, Self-Help relies on a variety of approaches to marketing/outreach that require customization based upon a diversity of factors, including but not limited to program eligibility, product parameters, and geographic/local context. Approaches we have successfully deployed in the past include:

- Reaching out to known partners via 1:1 calls to:
 - Understand more about the need and local players; and
 - Expand our networks
- Working with municipalities and other community partners to identify:
 - Properties at risk of losing affordability or available for development, and reaching out to those property owners; and
 - Mission-aligned developers to engage with to support their investigations into acquisitions that could be supported by loan fund financing.

Proposal Narrative- Chapel Hill AHLF | 17

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- Collaborating with partners to host local meetings to educate identified, targeted audiences.
 - Attending local and industry events where potential borrowers could be present.
 - Develop and disseminate marketing materials that describe the program and product.

Ensuring effective communication with borrowers, existing tenants and others is essential to program success. Prior to launching any engagement and outreach strategies, Self-Help will work with the Town of Chapel Hill to ensure cohesion and consistency on messaging around program purpose, intentions, and outcomes (e.g., locking in rental rates at a set level without future change is not a likely outcome, rather, preservation of rents at 80% AMI is the aim).

What is an Affordable Housing Loan Fund?

Fund Structure:

- Managed by 3rd party Fund Administrator
- Typically ~25% top tier funders & ~75% financial institutions
 - Top Tier Funders: UNC Health and the Town
 - Financial institutions: recruited by fund administrator