

From: Roger Stancil
Sent: Tuesday, January 16, 2018 5:51 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Loryn Clark; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Council Question: Item 12: Affordable Housing Development Reserve recommendations

Council Question: What is the targeted income level for the final purchasers of the two houses we're helping the CHT to acquire? What fraction of the total acquisition cost does the \$100,000 represent?

Staff Response: *Funds would be used by the Community Home Trust to purchase two homes in the Courtyards at Homestead (\$50,000 for each home). The two homes would serve households earning between 51% -80% of the Area Median Income (between \$36,650 - \$58,650 for a household of 4). The Town's funds represent approximately 13% of the cost for the Community Home Trust to purchase the homes from the developer.*

Council Question: Is any of the AHDR funding used for public housing? If not, out of which pot is public housing funded?

Staff Response: *To date, we have not used AHDR funding for public housing operations. Renovation and rehabilitation of public housing would be an eligible use of the AHDR and this could be a source of funds we pursue in the future. Public Housing is funded through revenues generated from the collection of rent and operating and renovation/redevelopment grants from the US Department of Housing and Urban Development.*

Council Question: How much land do we have in the land bank and where is it located?

Staff Comment: *For the past three years, the AHDR has supported the administration of the Northside Neighborhood Initiative, which includes land bank activities in the Northside neighborhood. The Town has not directly purchased land for land banking.*

From: Roger Stancil
Sent: Tuesday, January 30, 2018 12:29 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
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Subject: Council Questions: Item 6: Recommended Funding Plan, Affordable Housing

Council Question: Should we approve an additional \$700,000, what is the total amount (\$ and land value) that we will have contributed to this project? What was the anticipated cost per unit originally? What would the new cost per unit be, if new funding is provided?

Staff Response: *To date, the Town has invested approximately \$1,359,000 (excluding the value of the land) to support Greenfield Place/Greenfield Commons. This includes \$754,522 of Ephesus Fordham Installment Financing, \$450,000 from the Town's Affordable Housing Development Reserve, and \$154,500 from the Affordable Housing Fund. The \$700,000 requested represents a larger gap than originally anticipated by DHIC for phase 2 of the project, due to increases in construction and project costs. The Town's cost/unit for our direct funding investment for the project from the Affordable Housing Development Reserve (AHDR) is \$7,700/unit (assuming the \$700,000 current funding request is approved). Including the land cost and grant contributions the cost per unit is \$21,100.*

Council Question: What is the status of the second phase of this project?

Staff Response: *If funding is approved, DHIC expects to close on its construction loan this Friday, February 2. DHIC has obtained a form district permit and building permits and would begin construction soon after all funding is in place. The expected completion date is February, 2019.*

Council Question: Have any accommodations been made to lower the cost?

Staff Response: *In response to this question, DHIC shared a few examples of actions taken to lower the costs of the project:*

- 1. Negotiated significantly better than market disbursement schedule from the equity investor, allowing reduction of construction interest expense.*
- 2. Underwent a rigorous value engineering exercise with the general contractor, which reduced costs by over \$200,000.*
- 3. Got approval from Orange County to pursue the real estate tax exemption, allowing the project to carry a larger first mortgage.*
- 4. Further increase the first mortgage, which minimizes any cash flow coming back to the project.*
- 5. Defer over \$400,000 of total developer fee (46%). Any cost overruns during construction will add to the deferred fee.*
- 6. DHIC will invest \$260,000 of its own funds to close the funding gap.*

Council Question: What are the Town's obligations under the agreement?

Staff Response: *The Town is not obligated to provide additional funding. The purchase contract executed on January 25, 2014 requires the Town as the seller to complete tasks such as rezoning the property, inspection and analysis of the property for feasibility of development, and provide off site infrastructure and improvements.*

Council Question: What is the current value of the land?

Staff Response: *A 2013 appraisal of the property estimates the value of the property to be approximately \$2M.*

Council Question: What are the Town's options?

Staff Response: *The Council's options are to approve or not approve this request for funding. If approved, the project would move ahead as scheduled. Should the Council choose not to approve the additional funds requested, DHIC would not close on its construction loan this week and would have to identify other funding sources which could delay the project. The NC Low Income Housing Tax Credit program imposes strict deadlines for completing construction. If construction is not complete by February, 2019 DHIC could lose the tax credits associated with this project valued at approximately \$5,817,900. DHIC also shared that further delays will also result in additional increases in construction cost. In the event the project is delayed, DHIC would likely need to request permission from NCHFA to raise rents to support additional debt at higher interest rates than what is currently committed to the project.*

From: Roger Stancil
Sent: Tuesday, January 30, 2018 1:09 PM
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Subject: Council Questions: Item 6: Affordable Housing Funding

Council Question: How much AH would we be able to create/how many units could we fund with the cost of the land plus the subsidies of \$1,150,000? Don't we need to weigh what the subsidy plus land cost is against another alternative to evaluate whether we should continue down this path? I know it's hard to shift gears this far down the path, but if we say AH is a huge priority for us, shouldn't we make sure we get the most for our expenditures?

Staff Response: *The Town's cost/unit for our direct funding investment for the project is \$7,700/unit (assuming the \$700,000 current funding request is approved). Including the land cost and grant contributions the cost per unit is \$21,100. The cost per unit is at the low-end of the range for typical rental subsidy amounts for rental housing projects invested in by the Town historically.*

Council Question: What other town funding has already gone to Greenfield/DHIC senior project (exclusive of land donation)? Does this \$700K represent unanticipated expenses? What is the total cost per unit (to the Town) for this project?

Staff Response: *To date, the Town has invested approximately \$1,359,000 (excluding the value of the land) to support Greenfield Place/Greenfield Commons. This includes \$754,522 of Ephesus Fordham Installment Financing, \$450,000 from the Town's Affordable Housing Development Reserve, and \$154,500 from the Affordable Housing Fund. The \$700,000 requested represents a larger gap than originally anticipated by DHIC for phase 2 of the project, due to increases in construction and project costs. The Town's cost/unit for our direct funding investment for the project from the Affordable Housing Development Reserve (AHDR) is \$7,700/unit (assuming the \$700,000 current funding request is approved). Including the land cost and grant contributions the cost per unit is \$21,100. The cost per unit is at the low-end of the range for typical rental subsidy amounts for rental housing projects invested in by the Town historically.*