

CITY OF HIGH POINT

AGENDA ITEM

**Title: Application for Section 108 loan from HUD**

From: Michael E. McNair, Director

Meeting Date: 2/15/2016

Public Hearing: Yes

Advertising Date 2/3/2016

Advertised By: High Point Enterprise

Attachments:

Draft Section 108 Application

Aerial view of site

Site plan

Letter from Wynnefield Properties requesting assistance

PURPOSE:

A public hearing is required to begin the process of the applying for a Section 108 loan from the Department of Housing and Urban Development (HUD). The purpose of the loan is to support affordable workforce multi-family housing development. The funds will be loaned to assist in property acquisition and site improvements.

BACKGROUND:

The Section 108 Loan Guarantee Program is a HUD financing source that allows entitlement cities to secure federal loans large enough to pursue CDBG eligible projects. The City's first application for a Section 108 loan commitment was approved on May 3, 2010; the loan authorization totaled \$ 3.907 million. Section 108 funds financed the City's participation in the Addington Ridge (58 units completed in May 2015) and Kirkwood Crossing (84 units construction expected this fiscal year) developments which utilized \$3.35 million of the authorization. Since the five year period of performance expired on September 30, 2015, the City must submit a new application to access the unspent authorization for use in an additional multi-family development.

The section 108 application will also require a substantial amendment to the City's 2015-16 Annual Action Plan and the 2015-19 Consolidated Plan which can be done concurrently. A 30 day public comment period is required to receive citizen input on the amendment. Comments concerning the amendment will be accepted from February 17th through March 18th, 2015. An additional public hearing will be conducted to complete the amendments.

BUDGET IMPACT:

The section 108 loan authorization from HUD is expected to total \$694,000.00.

RECOMMENDATION / ACTION REQUESTED:

Acknowledge Public Hearing was held and hold for 30 day public comment period. Second reading will be held Monday, March 21, 2015 at 5:30 p.m.



Section 108 Loan Guarantee Program

Application [DRAFT]

Submitted by

Community Development & Housing
211 S. Hamilton Street
High Point, North Carolina 27260

March ##, 2016



Executive Summary

The City of High Point requests a Section 108 Loan Guarantee Program allocation in the amount of \$694,000 and proposes to utilize these resources in support of an upcoming multi-family housing development, employing one of the Section 108 program's approved uses - to finance public improvements.

Statement of Need

Recent housing market studies have revealed a significant number of High Point residents that are in need of housing that is decent, safe and affordable. A recent market study for a formerly-proposed project in northwest High Point shows that the affordable housing demand within the project's Primary Market Area (PMA) for 2- and 3-bedroom apartments is more than 1,000 units (net). Note that the PMA for this project is not inclusive of the entire city limits of High Point, so the true demand for affordable housing in the area is significantly greater. Upon the opening of the most recently completed LIHTC development, Addington Ridge, the developer received 1172 contacts resulting in 675 applications for 58 available units.

Substantial Amendment to 2015-16 Annual Action Plan

Upon approval, this application will constitute a substantial amendment to the City of High Point's recently submitted FY 2015-2016 Annual Action Plan. Specifically, the application will amend the resources expected to be available for the FY2015-16 program year to include \$694,000 in Section 108 Loan Guarantee funds in support of a to-be-determined multi-family affordable housing project.

Calculation of Section 108 Allocation

CDBG Allocation in 2015	\$	808,831
Maximum Section 108 Allocation	\$	4,044,155
Section 108 Balance Outstanding	\$	3,350,000
Section 108 - Available Allocation (rounded)	\$	694,000

Sources/Uses

Sources:	
Section 108 Loan	<u>\$694,000</u>
TOTAL Sources	\$694,000
Uses:	
Acquisition/Site Improvements	<u>\$694,000</u>
TOTAL Uses	\$694,000

Eligible Activity & National Objective

The proposed use of these funds for public improvements (e.g., water/sewer, curb/gutter, sidewalks, etc.) supporting multi-family developments benefiting low- and moderate-income persons is eligible per 24 CFR 570.703(f). The proposed uses of these proceeds for acquisition and the construction/rehab/installation of public facilities are eligible per 24 CFR 570.703(a) and 570.703(l).

This program will meet the National Objective - activities benefiting low- and moderate-income persons - per 24 CFR 570.208(a).

Partnerships

The City shall partner with an experienced for-profit developer of affordable multi-family housing, Wynnefield Properties, with experience in applying for and securing Low-Income Housing Tax Credits (LIHTC) for proposed projects. Upon receipt of an allocation of LIHTC, the developer is expected to construct 72-84 units of affordable housing (depending upon zoning requirements). The City has previously partnered with Wynnefield by providing gap financing for three LIHTC projects in High Point - 54 units at Admiral Pointe (HOME - \$500,000), 58 units at Addington Ridge (Section 108 - \$1,350,000) and 84 units to be constructed at Kirkwood Crossing (Section 108 - \$2,000,000).

Collateral and Repayment

All investments will be in the form of a loan and shall be secured by a mortgage encumbering the property (2nd lien, minimum). The Borrower shall be required to execute a deed of trust, security agreement, assignment of leases, rents, and other profits and other customary security documents in form customarily used for loans of this type.

Loan repayment shall come from the net operating income (NOI) of the project, which will be verified by project underwriting. The City will supplement the payments as needed in order to ensure a viable debt service schedule.

Project Implementation and Timeline

The City is proposing to partner with Wynnefield Properties to develop an additional affordable housing multi-family project within the city limits of High Point. Wynnefield has submitted a LIHTC pre-application to the North Carolina Housing Finance Agency (NCHFA) in early 2016 and, pending Council authorization to commit Section 108 loan funds, will submit a LIHTC application to NCHFA to be considered in its next funding round (anticipated application due date of May 16, 2016).

Project Type

The City shall limit its investments to public improvements to property the City will acquire and to facilitate the construction of multi-family developments that benefit low- and moderate-income persons that will generate sufficient cash flow to repay the City's loan toward the project.

Loan Size

The Section 108 funds for acquisition and public improvements in support of the to-be-determined affordable housing project shall not exceed \$694,000. Once the property has been acquired and improved, the property will be conveyed to the LIHTC developer and the City's investment shall be secured by a mortgage lien to the developer.

Method of Repayment & Terms

The principal and interest amount of each note evidencing each loan shall be payable in monthly installments calculated using an amortization period not to exceed twenty (20) years with the payments received from the development equaling the maximum amount available for debt service as allowed by the NCHFA Qualified Allocation Plan (QAP). The loan is expected to be based on a 20-year amortization with principal and interest payments, concluding with a balloon payment of the balance owed. The amount of the balloon will be finalized in negotiation with HUD.

Section 108 Debt Service

The City will pay Section 108 debt service from project debt service payments it receives from project proceeds. To secure repayment of its guaranteed loan, the City will pledge its interest in the project loan secured by liens on the real estate. The City also pledges its CDBG funds as security for repaying its Section 108 Guaranteed Loan. In addition, the City will collect an

origination fee from the borrower and purchase a 10-year Treasury bond as an additional source for future interest and principal payments, if required. Finally, the City shall supplement payments from the development as needed to ensure payments made to HUD fulfill bond debt requirements.

Proposed Loan Repayment Schedule

The proposed repayment schedule will consist of annual principal and interest payments, with a balloon payment along with any accrued interest in Year 20. The following shows the City's proposed schedule of repayments to HUD (interest rates based on recent bond issuance rates).

Date	Outstanding Principal	Interest Rate	Interest Payment	Principal Payment	Total Payment
2017	\$ 694,000	0.31%	\$ 2,151	\$ 17,849	\$ 20,000
2018	\$ 676,151	0.43%	\$ 2,907	\$ 17,093	\$ 20,000
2019	\$ 659,059	0.67%	\$ 4,416	\$ 15,584	\$ 20,000
2020	\$ 643,475	0.93%	\$ 5,984	\$ 14,016	\$ 20,000
2021	\$ 629,459	1.22%	\$ 7,679	\$ 12,321	\$ 20,000
2022	\$ 617,138	1.54%	\$ 9,504	\$ 10,496	\$ 20,000
2023	\$ 606,642	1.77%	\$ 10,738	\$ 9,262	\$ 20,000
2024	\$ 597,380	2.05%	\$ 12,246	\$ 7,754	\$ 20,000
2025	\$ 589,626	2.45%	\$ 14,446	\$ 5,554	\$ 20,000
2026	\$ 584,072	2.56%	\$ 14,952	\$ 5,048	\$ 20,000
2027	\$ 579,024	2.70%	\$ 15,634	\$ 4,366	\$ 20,000
2028	\$ 574,658	2.91%	\$ 16,723	\$ 3,277	\$ 20,000
2029	\$ 571,380	2.96%	\$ 16,913	\$ 3,087	\$ 20,000
2030	\$ 568,293	3.01%	\$ 17,106	\$ 2,894	\$ 20,000
2031	\$ 565,399	3.09%	\$ 17,471	\$ 2,529	\$ 20,000
2032	\$ 562,870	3.10%	\$ 17,449	\$ 2,551	\$ 20,000
2033	\$ 560,319	3.21%	\$ 17,986	\$ 2,014	\$ 20,000
2034	\$ 558,305	3.26%	\$ 18,201	\$ 1,799	\$ 20,000
2035	\$ 556,506	3.36%	\$ 18,699	\$ 1,301	\$ 20,000
2036	\$ 555,204	3.46%	\$ 574,414	<i>(Final Payment)</i>	

Interest Payments: \$ 260,414

SECTION 108 LOAN GUARANTEE

Entitlement Public Entity Certifications

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended (the "Act"), and with 24 CFR Part 570.704(b), the public entity certifies that:

- 1) It possesses the legal authority to make the pledge of grants required under §570.705(b)(2).
- 2) It has made efforts to obtain financing for activities described in the application without the use of the loan guarantee and cannot complete such financing consistent with the timely execution of the program plans without such guarantee.

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended (the "Act"), and with 24 CFR Part 570.704(b)(8), the public entity further certifies that:

(i) It possesses the legal authority to submit the application for assistance under this subpart and to use the guaranteed loan funds in accordance with the requirements of this subpart.

(ii) Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:

- (A) Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances containing therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and
- (B) Authorizing such official representative to execute such documents as may be required in order to implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph (B) may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b).

(iii) Before submission of its application to HUD, the public entity has:

- (A) Furnished citizens with information required by §570.704 (a)(2)(i).
- (B) Held at least one public hearing to obtain view of citizens on community development & housing needs
- (C) Prepared its application in accordance with §570.704(a)(1)(v) and made the application available to the public.

(vi) In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low and moderate income persons, as described in criteria at §570.208(a).

(vii) It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low and moderate income housing described in §570.606.

(viii) It will comply with the requirements of §570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.

(ix) (Where applicable) It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of §570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds.

(x) It will comply with the other provisions of the Act and with other applicable laws.

Public Entity's Legal Name: City of High Point Date: _____

Signature of Authorized Representative: _____

Printed Name and Title: Greg Demko, City Manager

CERTIFICATION OF A DRUG-FREE WORKPLACE (HUD-50070)

DRAFT

DISCLOSURE OF LOBBYING ACTIVITIES (Standard form LLL)

DRAFT

SECTION 108 LOAN GUARANTEE

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS - PRIMARY COVERED TRANSACTION

- 1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
 - (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - (b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - (d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
- 2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above certifications.

Organization Name, PR/Award Number or Project Name: City of High Point, NC

Name(s) and Title(s) of Authorized Representative(s): Greg Demko, City Manager

Signature(s) _____ Date _____

APPLICANT ASSURANCES AND CERTIFICATIONS (HUD 424B)

DRAFT

SECTION 108 LOAN GUARANTEE

CERTIFICATION OF LEGAL AUTHORITY TO PLEDGE GRANTS

The public entity hereby certifies and assures with respect to its application (and any subsequent amendments) for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it possesses the legal authority to make the pledge of grant required under 24 CFR 570.705 (b) (2).

Name of Authorized Representative and Title: Greg Demko, City Manager

Signature _____ Date _____

SECTION 108 LOAN GUARANTEE

CERTIFICATION OF EFFORTS TO OBTAIN OTHER FINANCING

The City of High Point hereby assures and certifies with respect to its application (and any subsequent amendments) for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it has made efforts to obtain financing for the activities described herein without the use of such guarantee, it will maintain documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the project without such guarantee.

Name of Authorized Representative and Title: Greg Demko, City Manager

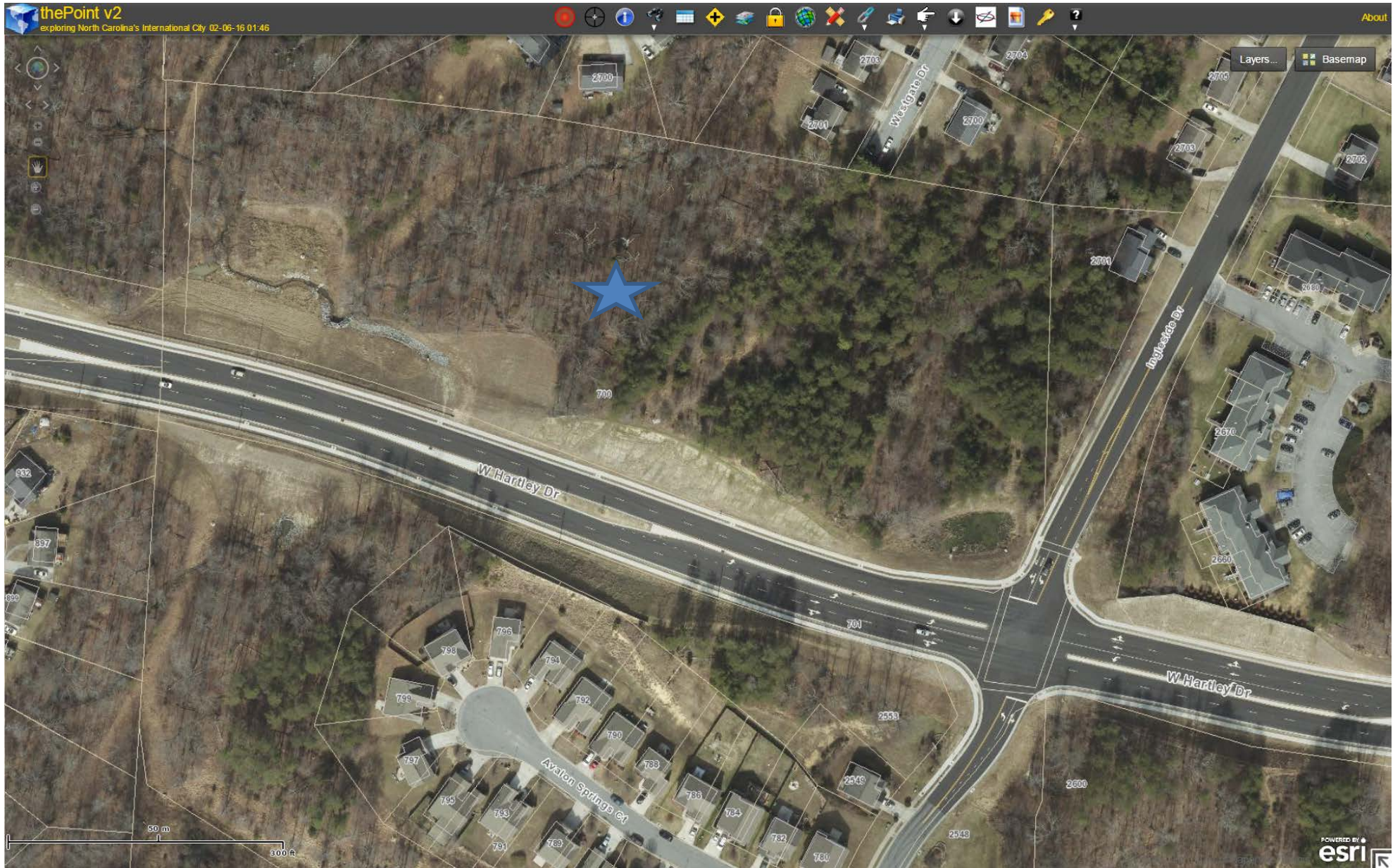
Signature _____ Date _____

Attachments

- Public Hearing Notices
- LIHTC Pre-Application - Hartley Drive

DRAFT

Aerial View - 700 W Hartley Drive



HARTLEY RIDGE

HIGH POINT, NC

1-20-16

SCALE: 1" = 50'-0"

SITE INFORMATION:

SITE: 8.08 ACRES
 DENSITY: 10-39 UNITS/ACRES
 BUILDINGS: (1) 1-STORY CLUBHOUSE
 (4) 3-STORY APARTMENT BUILDING
 SPRINKLERS: 13R
 PARKING SPACES: 168 PROVIDED @ 2 PER UNIT

UNIT INFORMATION:

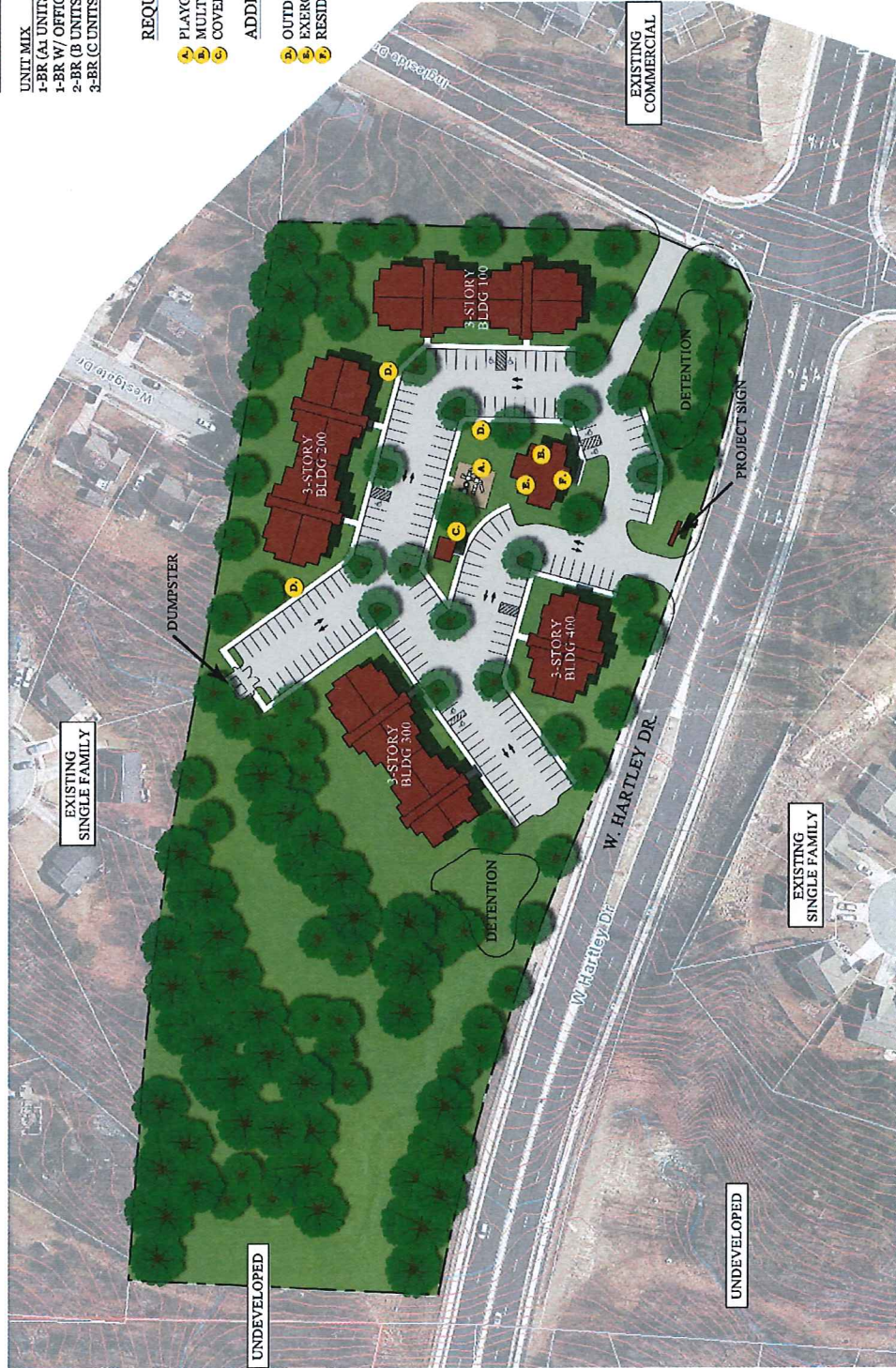
UNIT MIX	SPCS/UNIT	PKG. REQ.
1-BR (A1 UNITS)	= 6	2.0
1-BR W/ OFFICE (A2 UNITS)	= 3	2.0
2-BR (B UNITS)	= 42	2.0
3-BR (C UNITS)	= 33	2.0
TOTAL	= 84 UNITS	168

REQUIRED SITE AMENITIES:

- A PLAYGROUND - (W/ MIN. 1 BENCH)
- B MULTI-PURPOSE ROOM (MIN. 250 SQ. FT.)
- C COVERED PICNIC AREA - (150 SQ. FT. W/ 2 TABLES & GRILL)

ADDITIONAL AMENITIES:

- D OUTDOOR SITTING AREAS W/ BENCHES - (MIN. 3 LOCATIONS)
- E EXERCISE ROOM - (W/ NEW EQUIPMENT)
- F RESIDENT COMPUTER CENTER - (MIN. 2 COMPUTERS)



SCALE: 1" = 50'

CSP.1

MARTIN RILEY ASSOCIATES - ARCHITECTS, PC
 215 CHURCH STREET, SUITE 200 DECATUR, GEORGIA 30030-3029 404-373-2800
 HARTLEY RIDGE
 HIGH POINT, NC

ARCHITECTURAL SITE PLAN

NOT RELEASED FOR CONSTRUCTION



