

City of Wilmington/New Hanover County
Workforce/Affordable Housing Ad hoc Committee

October 11, 2016

Meeting Notes

Present: Elizabeth Dodson, Gloria Green, Phil Humphrey, Robert Rosenberg, Steve Spain, Dave Spetrino, Jody Wainio, Tilghman Herring, Linda Smith, Katrina Redmon, Paul D'Angelo, Katrina Knight, Will Bland

Staff – Jennifer Rigby, NHC; Suzanne Rogers, City of Wilmington

Absent: David Barnes, Carlos Braxton (resigned)

Presentation:

Stephanie L. Norris, PE with Spaulding & Norris, PA presented and discussed with the committee the NC Housing Finance Agency (NCHFA) Low Income Housing Tax Credit (LIHTC) program. She offered the Lockwood Village project as an example and shared the process, challenges, changes in LIHTC Qualified Allocation Plan, and lessons learned. (see attached handouts) Ms. Norris offered the list of request to help with developing LIHTC projects:

- Funding from local governments (projects with local government funds more competitive bring down tax credits per unit)
- Other Sources of funds beyond the Federal HOME \$
- CFPUA
 - Impact Fee \$65k master meter:
 - Amortize w/payment schedule or waive impact fee for affordable housing projects
 - Waive meter fees during construction when no service/water provided
 - Prefer individual meter vs master meter - tenant directly responsible to CFPUA for use/payment vs sub meters
- Zoning & Permitting
 - Need hybrid approval process with preliminary approval on concept limited design with final approval upon award of tax credit... delay cost until know if project will get funding
- Need more cooperation from City attorney to ensure closing documents timeline met for all other funders...

Jody Wainio, Chair, asked committee members to work in small groups. She ask for volunteers to serve on the following groups to identify barriers to affordable housing.

Permanent Support Housing (also consider other subsidized housing for very low and low income persons) - Katrina Knight, Robert Rosenberg, Tilghman Herring, Jody Wainio

Rental Housing – Paul D'Angelo, Katrina Redmon, Elizabeth Dodson, Gloria Green, Phil Humphrey

Home Ownership – Steve Spain, Dave Spetrino, Will Bland, Linda Smith

Committee members met in their respective groups and reported out as follows:

Barriers (Gaps) to Rental Housing :

I = Individual, D = Developer, L = Landlord

- Lack of inventory of affordable housing (I)
- Lack of incentives for builders (D)
- Banks – affordable rental housing high risk/profit margin (D)
- Availability of Land/Land cost (multifamily), not so much barrier for single-family (D)
- Location of affordable land not ideal, for example location near transportation (I) (D)
- Cost of affordable housing still high (I)
- Marketing of programs and availability (I)
- Funding/Limited Sources/ Restrictions (D)
- Education – what is affordable housing (D)
- Size appropriate/matches subsidy (I)
- Cost of construction (D)
 - Fees, etc
 - Cooperation among agencies (education)
- Lack of incentives to Landlords (L)

Comments added from committee at report out:

- Insurance/taxes costs passed to consumer
 - 17% increase taxes and insurance
 - CFPUA, Duke Energy cost increasing
- Students drive up rents
- VRBO Rental competition
- Lack of CDBG funds in NHC
- Fair market value taxes – tax assessment reflects value of property as owner-occupied not as rental property

Barriers to Home Ownership:

- \$125k-\$145k = Affordable Housing for home ownership (no availability)
 - High cost of land and infrastructure - \$25k development cost per unit
 - Lack of Education
 - Budgeting for household/personal to save for down payment, qualify for mortgage, maintain house, etc.
 - Credit score – poor or no score
 - Schools/crime/social problems especially in downtown area where infrastructure exists
 - Down payment assistance in some areas
 - Myth that affordable housing brings down adjacent property values
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- **Barriers to Permanent Supportive Housing and other subsidized housing:**

- Low or no income of individuals needing PSH housing
- Expense of supportive services – social workers, transportation, etc.
- Lack of available PSH and other supportive housing
- NIMBY
- Structuring multiple financing sources w/varying requirements and conditions to secure funding to develop PSH and housing for those with very low and low incomes
- Not being “poor enough” to qualify for subsidy and other resources
- Minimum standards for housing, such as separate kitchen, bathroom, living space for each tenant... 675square feet... etc... “creative solutions” shared spaces ... co-housing...
- Capacity of small non-profits
- ADA compliance
- Land cost
- Donation/private/non-profit
- Impact fees
- Permitting/ Approval Process

Comments added from committee at report out:

- Clustering affordable housing/concentration due to tax credits
- Lack of education on affordable housing and related issues among planning commission and elected officials.

Committee members pointed out that many of the barriers impact all the subcommittee housing categories.

LOCKWOOD VILLAGE

Family Apartment Community

LIHTC Application & Development Process

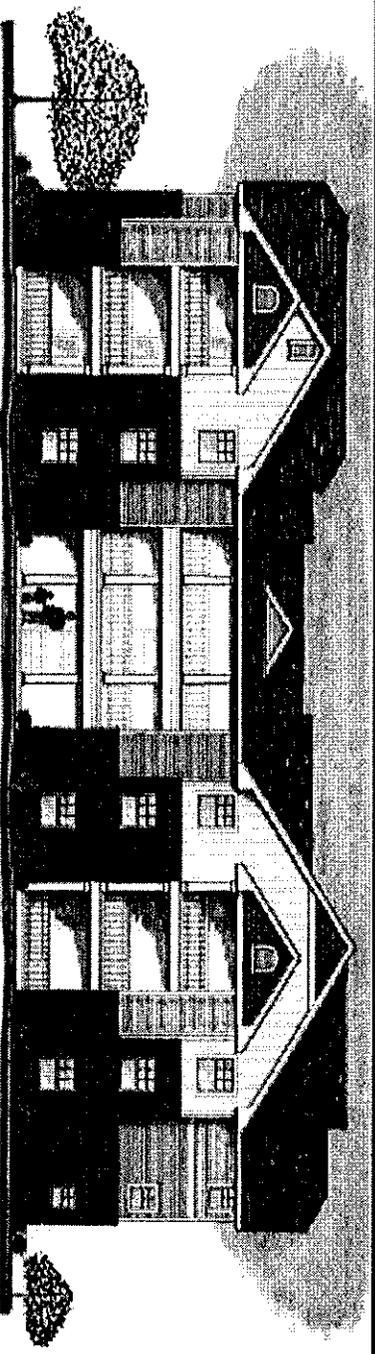
Things to do before applying for Tax Credits

Assemble a Team with specific NC tax credit experience and strong financial stability

Site Selection is critical

Preparation of Proforma – Rents, Operating Costs, Development Costs, Funding Sources

Meet with Equity Providers and Lenders



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Boston Capital

NCHFA

**City of
Wilmington**

CICCAR

LIHTC Application & Development Process

NCHFA QAP & Application

- Preliminary Application – January submittal
- Site Zoning & Conditional Use Process
- NCHFA Site Scoring & Market Study
- Other Due Diligence for Full Applications
- Full Application – May submittal
- NCHFA Underwriting
- Tax Credit Award – August announcements
- Tax Credit Allocation – September/October deadline

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LIHTC Application & Development Process

Development Process

- Equity Provider – Preliminary Commitment
- Construction Lender – Preliminary Commitment
- Site & Architectural Design – Review & Permits
- Due Diligence for Closings – Equity & Construction Construction
- Lease-Up
- Stabilized Operations
- Equity Disbursements
- Other Lender Closings – NCHFA, City, CICCAR

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CICCAR

LOCKWOOD VILLAGE 2016 Funding Analysis

LOCKWOOD VILLAGE - WILMINGTON (60 Units)

FUNDING SOURCES

2013 NCHFA Application Source	Amount
Bank Loan - CICCAR	\$1,014,448
RPP Loan - NCHFA	\$800,000
Local Govt Loan - City	\$650,000
State Tax Credit Loan - NCHFA	\$844,089
Equity - TBD	\$4,481,552
Deferred Developer Fee	\$0
TOTAL SOURCES	\$7,590,089

Final Cost Certification Source	Amount
Bank Loan - CICCAR	\$1,076,819
RPP Loan - NCHFA	\$800,000
Local Govt Loan - City	\$650,000
State Tax Credit Loan - NCHFA	\$590,108
Equity - Boston Capital	\$4,859,514
Deferred Developer Fee	\$234,910
TOTAL SOURCES	\$8,151,351

2016 Analysis Source	Amount
Bank Loan - CICCAR	\$1,076,819
RPP Loan - NCHFA	\$800,000
Local Govt Loan - City	\$650,000
Workforce Housing Loan - NCHFA	\$0
Equity - Boston Capital	\$4,699,530
Deferred Developer Fee	\$250,000
TOTAL SOURCES	\$7,476,349

Estimated Tax Credit Pricing	\$0.83
Tax Credits Requested (Awarded)	\$540,000
Tax Credits per Unit	\$9,000

Actual Tax Credit Pricing	\$0.90
Tax Credits Requested (Awarded)	\$540,000
Tax Credits per Unit	\$9,000

Estimated Tax Credit Pricing	\$1.00
Tax Credit Request	\$470,000
Tax Credits per Unit	\$7,833

GAP

\$675,002

- Notes:
1. Actual bids for construction were significantly higher than estimated in the Application (Increased Costs = \$561,262).
 2. Received additional equity from Boston Capital due to higher Tax Credit Pricing (Increase = \$377,962).
 3. NCHFA lowered State Tax Credit Loan due to additional equity (Reduction = \$113,981).
 4. Project proforma allowed for a slight increase to CICCAR loan (Increase = \$62,371).
 5. Deferred Developer Fee also needed to cover increased costs (Increase = \$234,910).

Remarks

- Assumes Rents/Income similar to 2015
- Maximum amount allowed by NCHFA HUD Home Loan Amount
- See GAP for restrictions with City Loan
- See Below
- Amount is limited by Cash Flow
- Realistic for Wilmington market
- See Below
- See 2015 Awards - Need to be competitive

How do we fill this GAP to win more projects in Wilmington and New Hanover County???

Local / Average Wages

Nearly 60% of area workers are lower income Service Workers

- Nursing Assistants – \$23,320
- Police Officers - \$30,460
- Cooks - \$23,980
- Teller - \$29,470
- Childcare Worker - \$19,310
- Hair Dresser - \$22,520
- Retail Salesperson - \$24,700
- Office Clerks - \$26,520
- Middle School Teachers - \$ 40,290
- Teachers Assistants - \$24,740



*US Bureau of Labor Statistics (BLS)

NCHFA 2016 State-Mandated Set-Asides (with Novogradac Data for 60% AMI)

New Hanover % Of Median Income	Income Limit for Family Size Median Income: \$65,100 (1)								Rent Limits (Rent + Utilities) Maximum Housing Expense				
	One Person	Two Person	Three Person	Four Person	Five Person	Six Person	Seven Person	Eight Person	Efficiency	1/BR	2/BR	3/BR	4/BR
30%	13,680	15,630	17,580	19,530	21,120	22,680	24,240	25,800	342	366	439	508	567
35%	15,960	18,235	20,510	22,785	24,640	26,460	28,280	30,100	399	427	512	592	661
40%	18,240	20,840	23,440	26,040	28,160	30,240	32,320	34,400	456	488	586	677	756
50%	22,800	26,050	29,300	32,550	35,200	37,800	40,400	43,000	570	610	732	846	945
60% (Novogradac)	27,360	31,260	35,160	39,060	42,240	45,360	48,480	51,600		732	879	1,016	1,134

*Note: 30% & 50% set-asides on this chart are for State-Mandated targeting only. They do not comply with HOME or Section 8. They may not be used by properties where the tax credit minimum set-aside is 20/50 per the 8609. Section 8 and HOME Income limits can be found at www.huduser.org

