



Town Council Meeting April 2024 Work Session

April 16, 2024 | 3:30 PM

**Apex Town Hall | 73 Hunter Street, Apex, NC
3rd Floor Training Rooms A and B**

- 1. Call to Order | Pledge of Allegiance**
Mayor, Jacques K. Gilbert
- 2. Community Development and Neighborhood Connections
Department Overview**
Marla Newman, Director, Community Development and Neighborhood Connections
- 3. Housing Program Updates**
Marla Newman, Director, Community Development and Neighborhood Connections
 - a. Apex Cares**
 - b. 2021 Affordable Housing Plan**
 - c. 2023 Affordable Housing Incentive Policy**
- 4. Housing Development Opportunities Presentation**
Sonya Turner, Senior Project Manager, UNC-SOG Development Finance Initiative (DFI)
- 5. Housing Program Challenges**
Marla Newman, Director, Community Development and Neighborhood Connections
Lamont Taylor, Housing Program Mgr., Community Dev. and Neighborhood Connections
 - a. Land Acquisition**
 - b. Development Funding**
- 6. Q & A**
- 7. Adjournment**

ANNOUNCEMENTS

Members of the public can access and view the meeting on the Town's YouTube Channel <https://www.youtube.com/c/TownofApexGov> or attend in-person.

Accommodation Statement: Anyone needing special accommodations to attend this meeting and/or if this information is needed in an alternative format, please contact the Town Clerk's Office. The Town Clerk is located at 73 Hunter Street in Apex Town Hall on the 2nd Floor, (email) allen.coleman@apexnc.org or (phone) 919-249-1260.



HOUSING UPDATE

COMMUNITY DEVELOPMENT & NEIGHBORHOOD CONNECTIONS

Department Overview

Updates

- Apex Cares
- 2021 Affordable Housing Plan
- 2023 Affordable Housing Incentive Zoning Policy

Presentation

- Housing Development Opportunities – Development Finance Initiative (DFI)

Challenges

- Land Availability & Funding

Agenda



CDNC Team



Darla Bryant

Community Connections
Center Manager



Lamont Taylor

Housing Program
Manager



Brianne Gill

Community Engagement
Manager

Michael Linsenmeyer

Senior
Housing Specialist



Rebekah Shamberger

Housing Specialist

Apex Cares Home Rehab Program

A Housing *Preservation* Strategy

Since inception, 30 homeowners have received services ranging from kitchen and bathroom floor replacement to roof replacement and tub-to-shower conversions.

Total Apex Cares funds - \$554,111

Household average - \$18,470

Additional funds needed - \$197,825 (raised by RTT)

Total project costs - \$751,937

Staff has reviewed the following program elements and will recommend increasing the support provided per household and expanding services to other communities struggling with deferred maintenance issues:



Refine list of eligible repairs; include emergency repairs and architectural barriers to aging in place



Increase funding cap per household



Leverage other rehab funding sources, e.g., weatherization, environmental remediation, etc.



Extend services to owners of manufactured housing

Plan & Policy Updates



Affordable Housing Plan

- RFP to select consultant
- Ensure robust community engagement, including the HAB and Planning Board
- Update all relevant data points
- Update and modify, if necessary, existing plan strategies
- Create both development and preservation strategies
- Solicit feedback to plan draft from the HAB, Planning Board, and stakeholders prior to presentation to Town Council

Incentive Zoning Policy

- Staff reviewing current policy and identifying areas to clarify and enhance – particularly non-financial incentives
- Staff will solicit feedback from HAB and Planning Board
- Staff will draft modifications to the policy based on review and feedback, submit to HAB and Planning Board for additional feedback before final draft presentation to Town Council



Housing Development Opportunities

New Housing *Development* Strategy

DFI analysis:

7 acres at S. Hughes St and Perry Rd

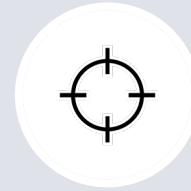
Challenges Land & Funding

The demand for homes affordable to low- and middle wage earners, families, seniors and other-abled persons is far outpacing the current supply, as well as what's proposed in the near term.

As you can see from the DFI presentation, land availability is one of the major local challenges to develop affordable housing.

Related to that is the cost of available land within Town limits, as well as the budget limitations of the Affordable Housing Fund.

Though we are presented with a number of unique challenges to housing affordability in Apex, there are examples of approaches that address affordability for low- and middle-income households in high-cost markets.



Land availability



Land cost and Town financing for acquisition



Programs that work

Where Do We Go From Here?

Increasing and Leveraging Investments to Meet Demand

The Town has shown its commitment to addressing our need through creation of the Affordable Housing Fund (AHF), a significant **first step**.

Opportunities to explore that can better enable the Town to meet demand include:

1. Increasing the AHF
2. Diversifying funding sources
3. Greater leveraging of Town investments
4. Leveraging the Town's expanding footprint due to growth, and
5. Repurposing some existing Town-owned properties.



Funding target amount and frequency



Partnerships & collaborations



Currently available resources to pursue



Timeline

Apex Affordable Housing

DFI Final Recommendations



SCHOOL OF GOVERNMENT
Development Finance Initiative



Today's Objective

Discuss opportunities for affordable housing development in Apex.

Agenda

- Project Overview
- Site and Financial Feasibility Overview
- Development Options
- Considerations & Next Steps





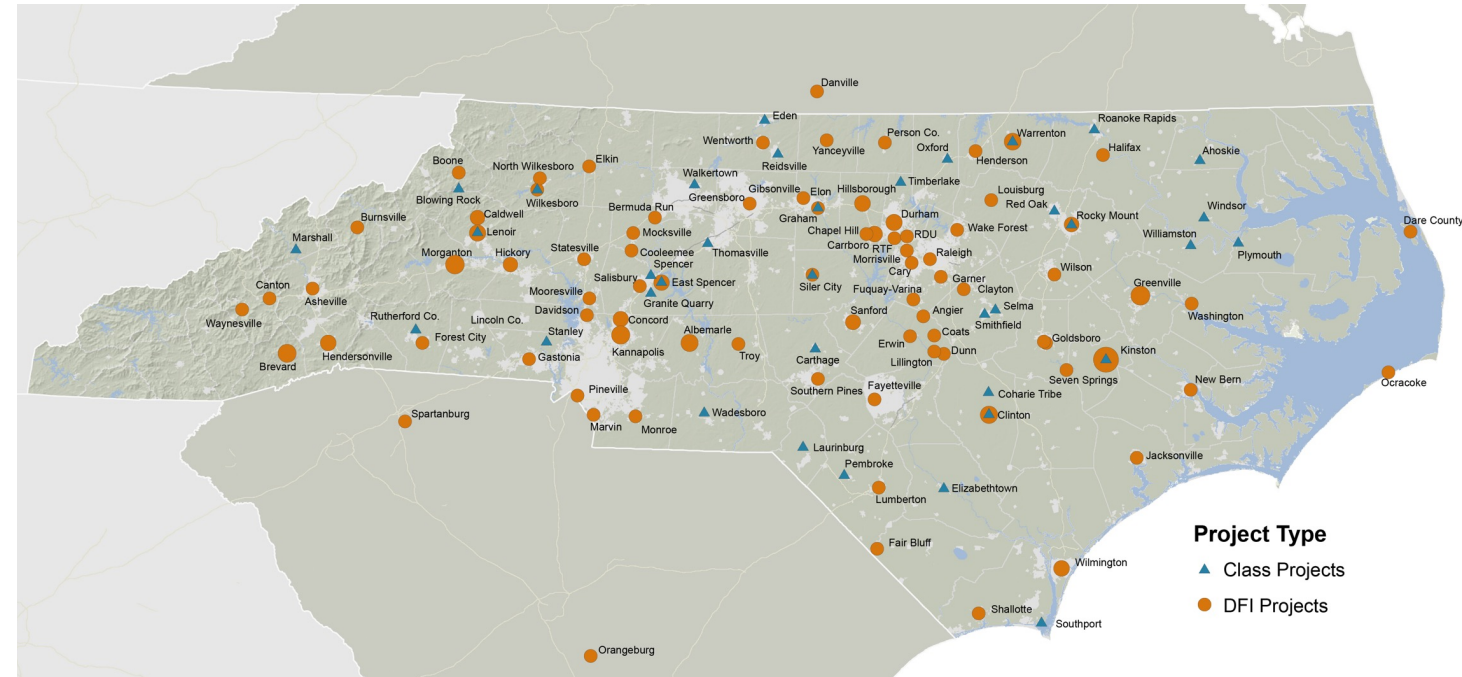
SCHOOL OF GOVERNMENT

Development Finance Initiative

DFI, a program of UNC Chapel Hill's School of Government (SOG), partners with local governments to attract private investment for transformative projects by providing specialized finance and development expertise.

SOG is the largest university-based local government training, advisory, and research organization in the United States, and serves more than 12,000 public officials each year.

Values: Nonpartisan, policy-neutral, responsive.



Project Team

Sr. Project Manager: Sonyia Turner

Sr. Analyst: Frank Muraca

Asst. Director Housing: Sarah Odio

Opportunity Site Identification

To identify affordable housing development opportunities, DFI conducts:

1. Stakeholder Engagement

- Goal: inform City's priorities for future affordable housing development

2. Housing Needs (Market) Assessment

- Goal: determine demand for different housing types based on economic drivers and current housing supply

3. Site Suitability Analysis

- Goal: identify sites that meet City's priorities for future affordable housing development

4. High-Level Site and Financial Feasibility

- Goal: determine type and scale of housing development possible, and estimate potential private funding sources and minimum funding gap for each scenario

Potential Phase 2: Site-specific pre-development services and development partner solicitation.

Potential Housing Priorities

Housing priorities identified from Town staff, stakeholder conversations, and previous housing plans:

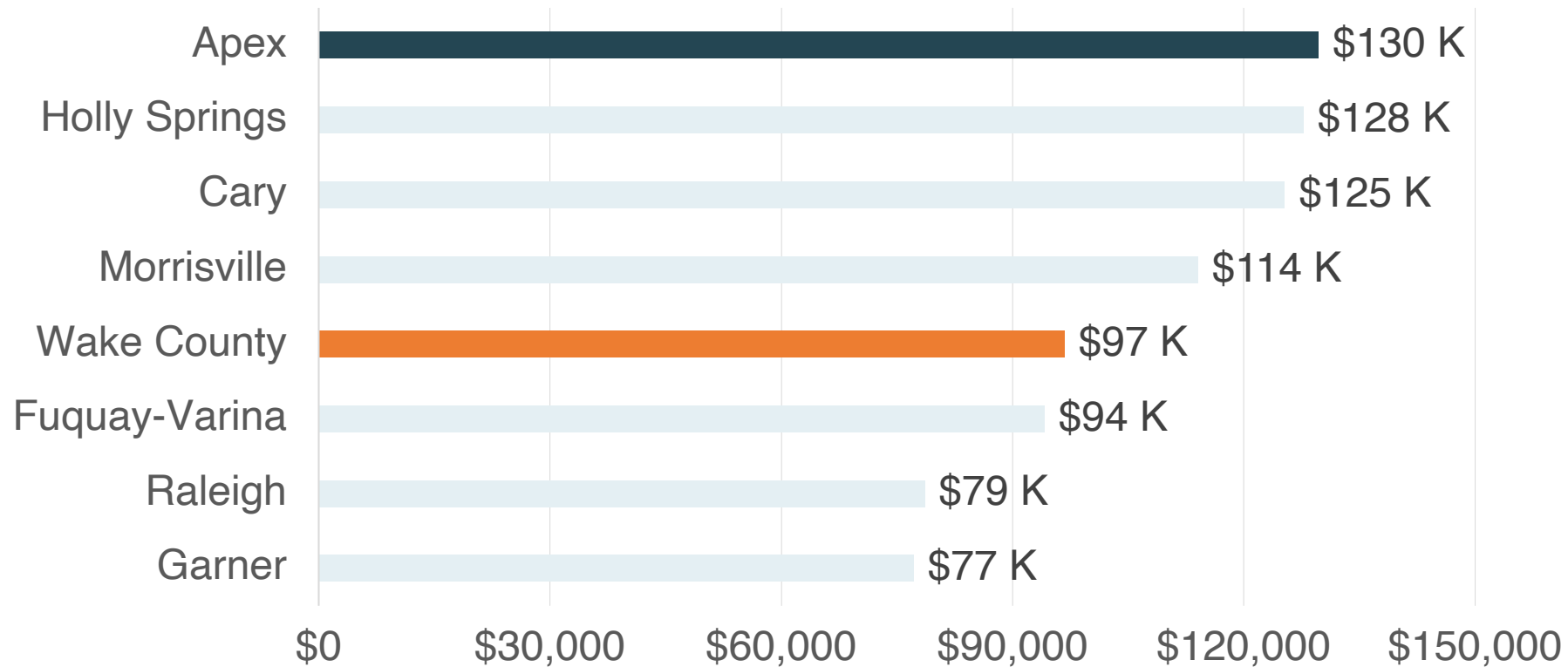
- Increase production of affordable units for low-to-moderate income (LMI) households.
 - Rental and homeownership options.
- Build partnerships across the region to meet the housing needs of vulnerable populations.
- Connect affordable housing development with transit service, transportation infrastructure, and amenities.



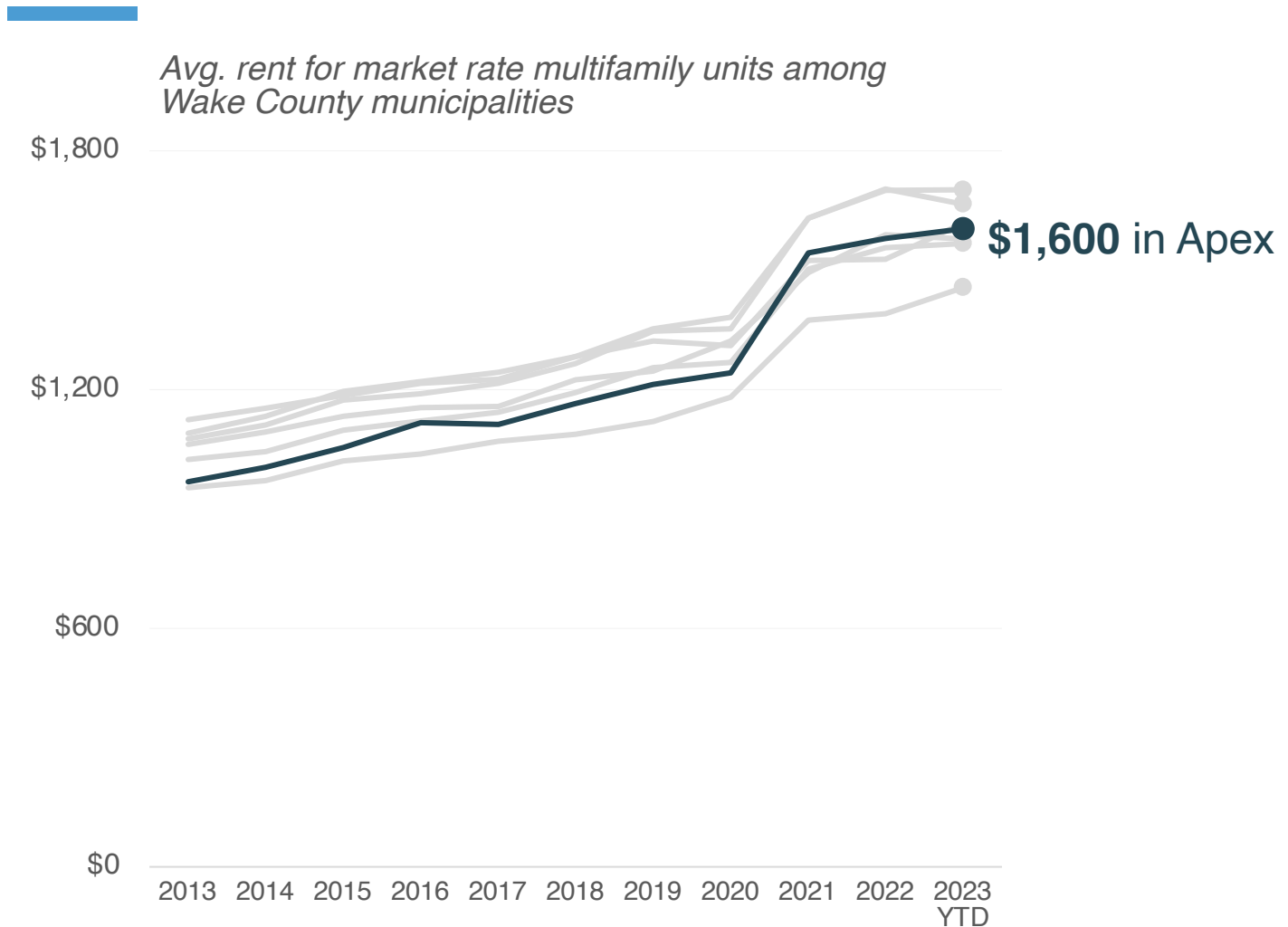
Broadstone Walk Rendering | Apex, NC

Apex has the highest median household income among area Wake County municipalities

*Median Household Income Among All Household Sizes
by Wake County Municipality*

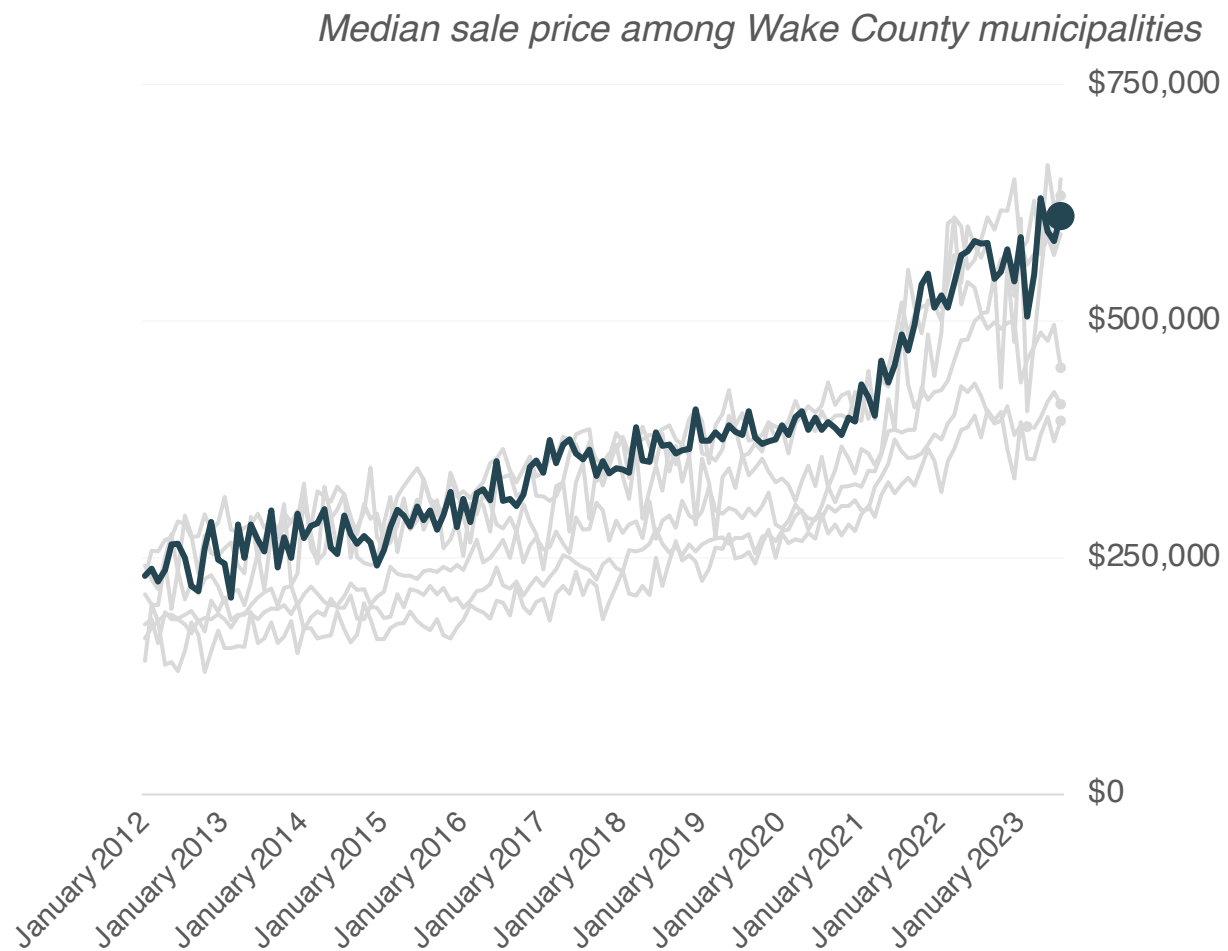


Apex has third highest market rate multifamily average rents among Wake County municipalities



Municipality	Avg. Rent
Cary	\$1,700
Morrisville	\$1,650
Apex	\$1,600
Fuquay-Varina	\$1,600
Holly Springs	\$1,550
Raleigh	\$1,550
Garner	\$1,450

Apex has third highest median home sale price among Wake County municipalities



Municipality	Median Sale Price
Morrisville	\$650,000
Cary	\$633,000
Apex	\$611,000
Holly Springs	\$592,000
Fuquay-Varina	\$451,000
Raleigh	\$412,000
Garner	\$395,000

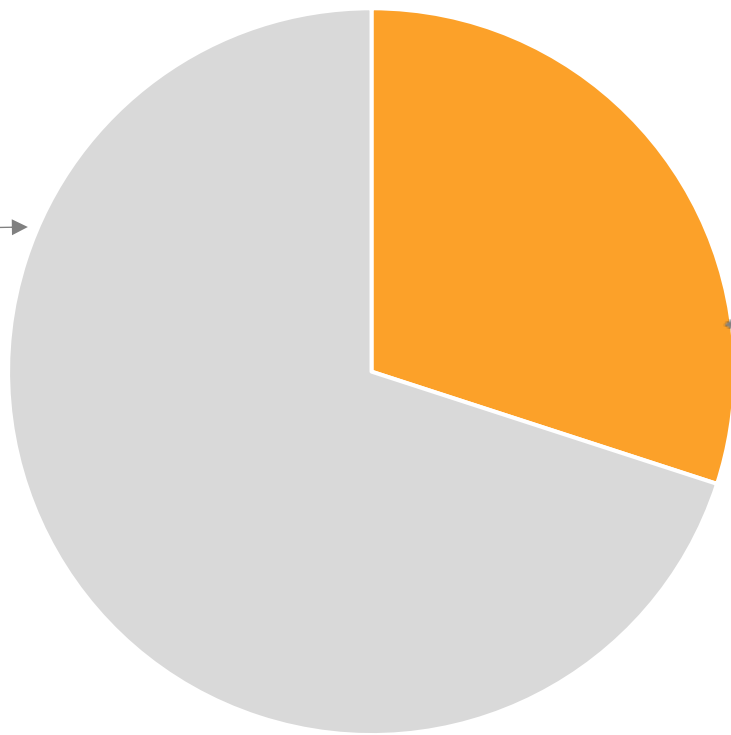
Households need to earn approx. \$184,000 to afford the median home price on the market

	2020	2023
Interest rate	2.8%	7.2%
Median home price	\$476,000	\$630,000
Down payment	\$33,300	\$44,100
Monthly mortgage costs	\$1,800	\$4,000
Monthly taxes, insurance, utilities	\$600	\$800
Annual income needed	\$93,500	\$184,400

What is affordable housing?

Families are cost burdened when over 30% of their annual income is spent on **housing-related expenses**.

Families living in affordable housing have more discretionary income than cost burdened households to cover other expenses like health care, transportation, or food.



Housing expenses include rent plus utilities, or mortgage, insurance, and property taxes plus utilities.

Who can the Town assist with the affordable housing development?

- State constitution and statutory requirement:
 - Housing for “low income” or “poor”
 - 20% of units restricted to households earning less than 60% AMI.
 - Serves a public purpose:
 - “only when the planning, construction, and financing of decent residential housing is not otherwise available”
 - Because “private enterprise is unable to meet the need”
 - Can support the development of units that are income restricted up to 80% AMI
 - No authority to aid unrestricted (market) units
- Funding source requirements

Source: Tyler Mulligan, Local Government Support for Privately Owned Affordable Housing, Coates Canons Law Blog (May 16, 2022).

What can households afford in Wake County?

	30% AMI	50% AMI	60% AMI	80% AMI	100% AMI
1-Person Income	\$23,820	\$39,700	\$47,640	\$63,520	\$79,400

Earning <60% AMI **Earning <80% AMI**



	Healthcare Support	Construction Worker	Entry Level K-5 Teacher	Building Code Official	Police Officer
Annual Mean Wage	\$23,960	\$35,160	\$46,060	\$64,000	\$66,850
Max Housing Expense	\$600	\$880	\$1,150	\$1,600	\$1,670

48% of Apex renters are Low-to-Moderate Income (LMI) households

Sources: 2023 MTSP Income and Rent Limits, Wake County, BLS, Indeed

Wake County AMI (Family of 4): 117,000



AMI	1 person	2 person	3 person	4 person
30%	\$23,820	\$27,210	\$30,600	\$33,990
50%	\$39,700	\$45,350	\$51,000	\$56,650
60%	\$47,640	\$54,420	\$61,200	\$67,980
80%	\$63,520	\$72,560	\$81,600	\$90,640

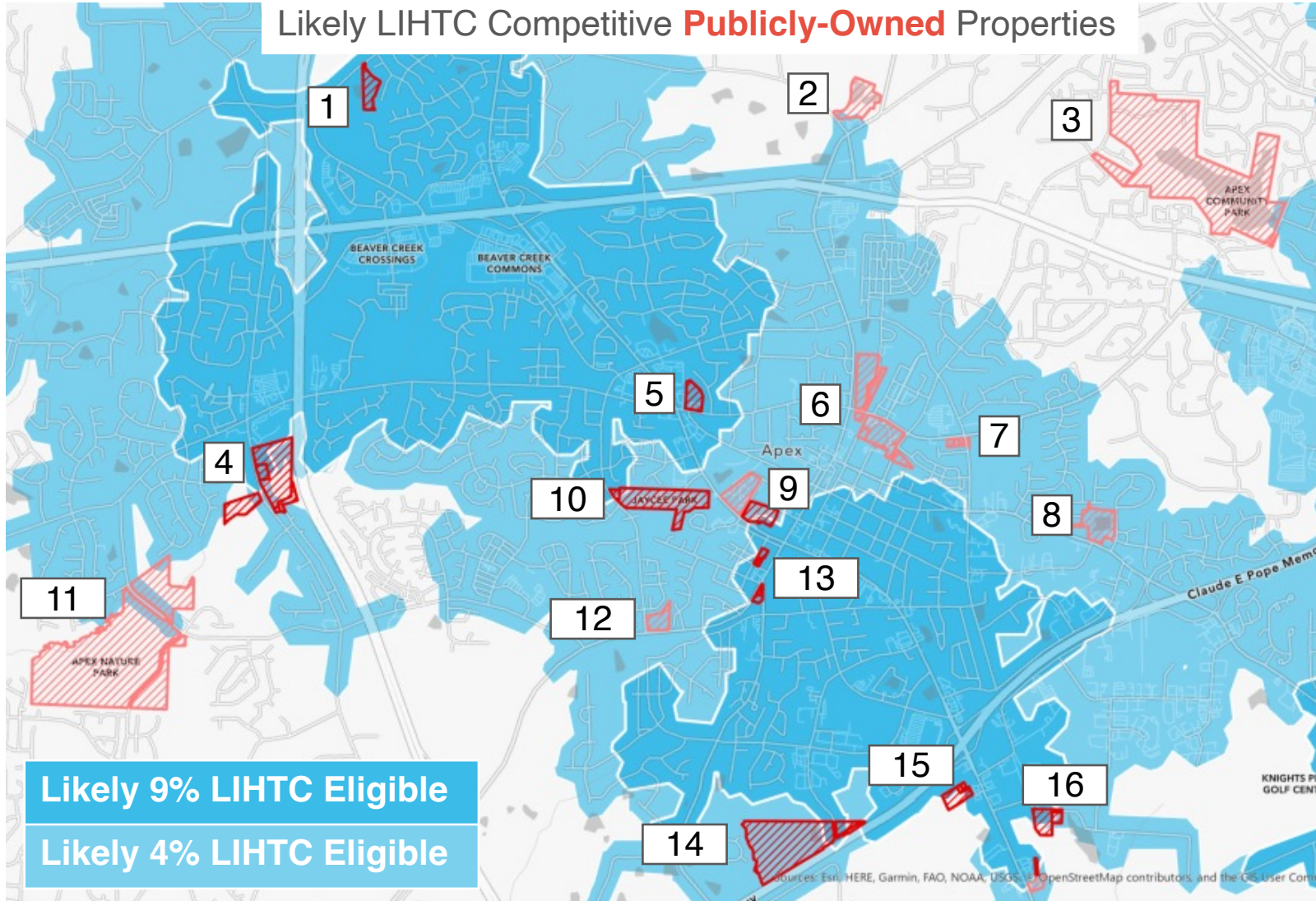
Site and Financial Feasibility



Site Identification Process

- 1) **Examined all publicly and privately owned sites within the Town of Apex that are likely competitive for federal Low Income Housing Tax Credits (LIHTC).**
 - Awarded to private developers or non-profits
 - LIHTC is dependent on suitability of site for development.
 - There is a 9% LIHTC (higher subsidy; more competitive) and 4% LIHTC (lower subsidy; less competitive)
 - After a developer has exhausted private loans and LIHTC, there is usually still a funding gap.
 - Low-cost capital is required and often provided by government partner(s).
- 2) For publicly-owned sites, examined existing plans. For privately-owned, evaluated path to site control.
- 3) Identified sites with minimum 2-acres for surface parked LIHTC development.
- 4) **Two sites identified as likely feasible.**

The Town has limited site control



1	Jenks Rd. conservation area
2	Salem Pond Park
3	Apex Community Park
4	Kelly Road Park
5	Apex Fire Station #3
6	Apex Town Hall, Hunter St. Park
7	Undeveloped 1.5-acres
8	Seagrove Park
9	Apex Water Dept., Public Works
10	Jaycee Park
11	Apex Nature Park
12	Proposed on-ramp for Apex Peakway
13	West St. Park, Apex Water Tower
14	Future electric substation
15	Electric substation
16	Wastewater treatment plant

Properties come on and off the market quickly



Privately-owned site
Very large site; high sales price



Privately-owned site
Under construction

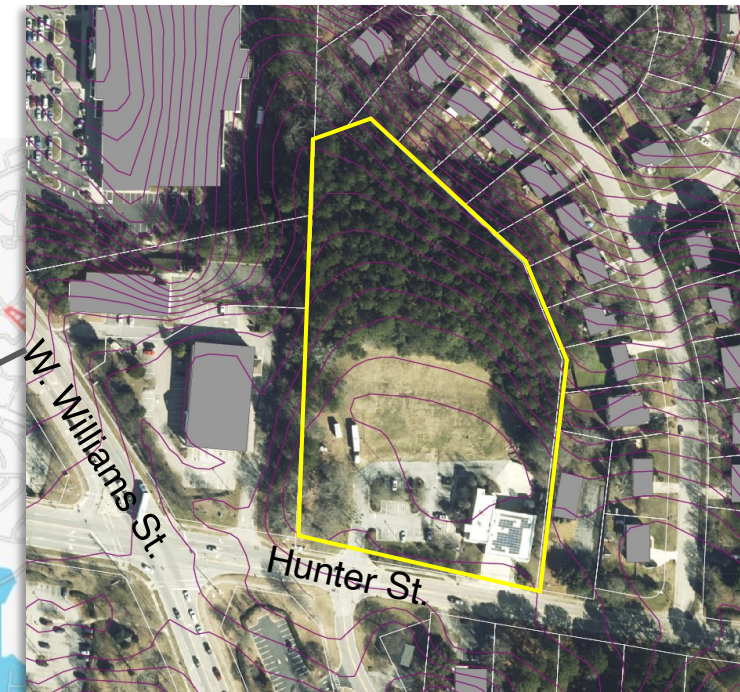


Privately-owned site
Recently sold to a national homebuilder

Sites evaluated for affordable housing development



S. Hughes St. and Perry Rd.
Privately-owned



Fire Station #3
Publicly-owned

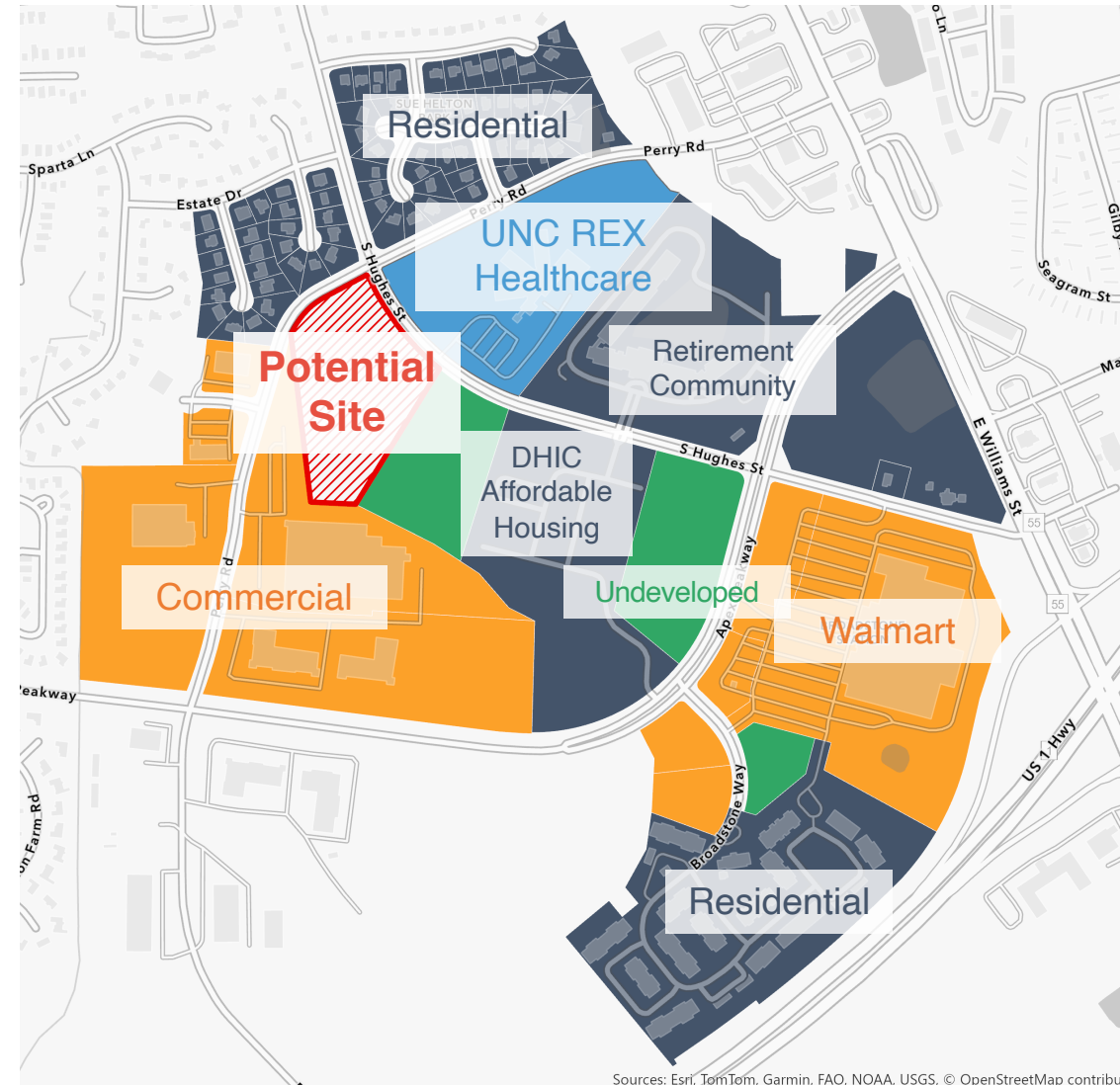
S. Hughes St. and Perry Rd.

7-acre site



Considerations: S. Hughes St. and Perry Rd

- Likely 9% LIHTC competitive (for projects ≤ 120 units)
 - Above 120 units would require 4% LIHTC
- Multiple development options possible including, apartments and townhomes, and rental and homeownership opportunities:
 - Est. 7.15 developable acres
 - Potential access from S. Hughes St. and Perry Rd.
 - Potential for phased development approach
- Regardless of approach, there will be a cost to the Town to acquire the property



Site can support up to 170 units

Site offers flexibility for multiple development options



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the

Potential public participation ranges from acquisition up to est. \$14M



Est. Financial Gap*

Up to \$14M

Gap per unit

Up to \$92,000

*The financial gap is based on current market conditions and an est. construction cost of \$266K per unit.

Affordable Homeownership Opportunity?



- Site offers potential to explore affordable homeownership.
- Providing homes affordable to households earning $\leq 80\%$ AMI will have a funding gap.
 - Developer: construction costs
 - Homeowner: down payment and closing cost assistance
- Estimated sale price would be $\sim \$370,000$ per unit.
- The total financial gap if 20% (11 units) are set aside for households earning 60% AMI is an est. \$1.7M - \$2.1M.
- Opportunity to explore a land trust.

Considerations and Next Steps

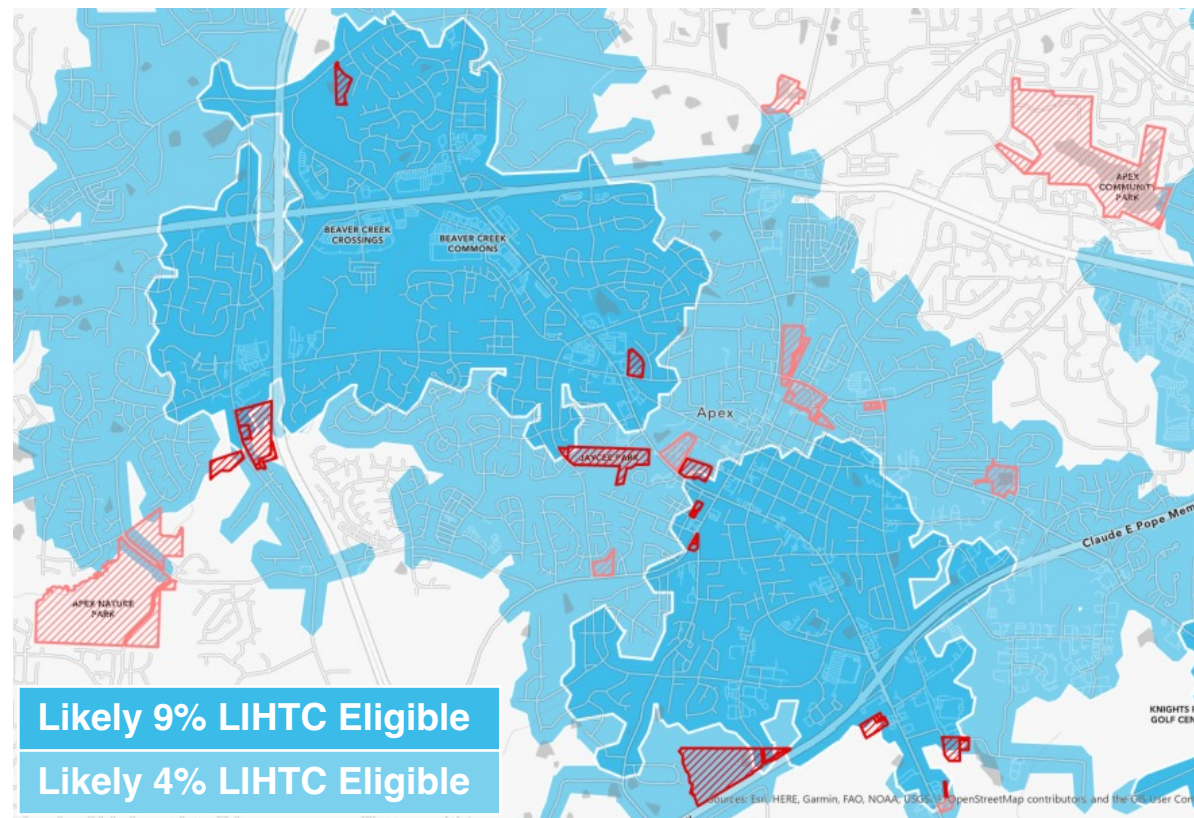


Property Acquisition Strategy

Properties come on and off the market quickly. If the Town wants to assemble property for affordable housing, it will need to react to opportunities just as fast:

- Town can establish criteria for future property acquisition:
 - Minimum of 2 contiguous, developable acres
 - Located in a likely LIHTC eligible area
- Town can have funds set aside in preparation for opportunities.

Likely LIHTC Competitive **Publicly-Owned** Properties



Next Steps

1. Select site(s) that best meets local priorities and attain site control (if necessary).
2. Town participation will be necessary to attract private investment for LIHTC (and affordable homeownership) development in Apex.
 - Public investment would cover the funding gap for the development of low-to-moderate income units (rental and homeownership)





SCHOOL OF GOVERNMENT
Development Finance Initiative

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

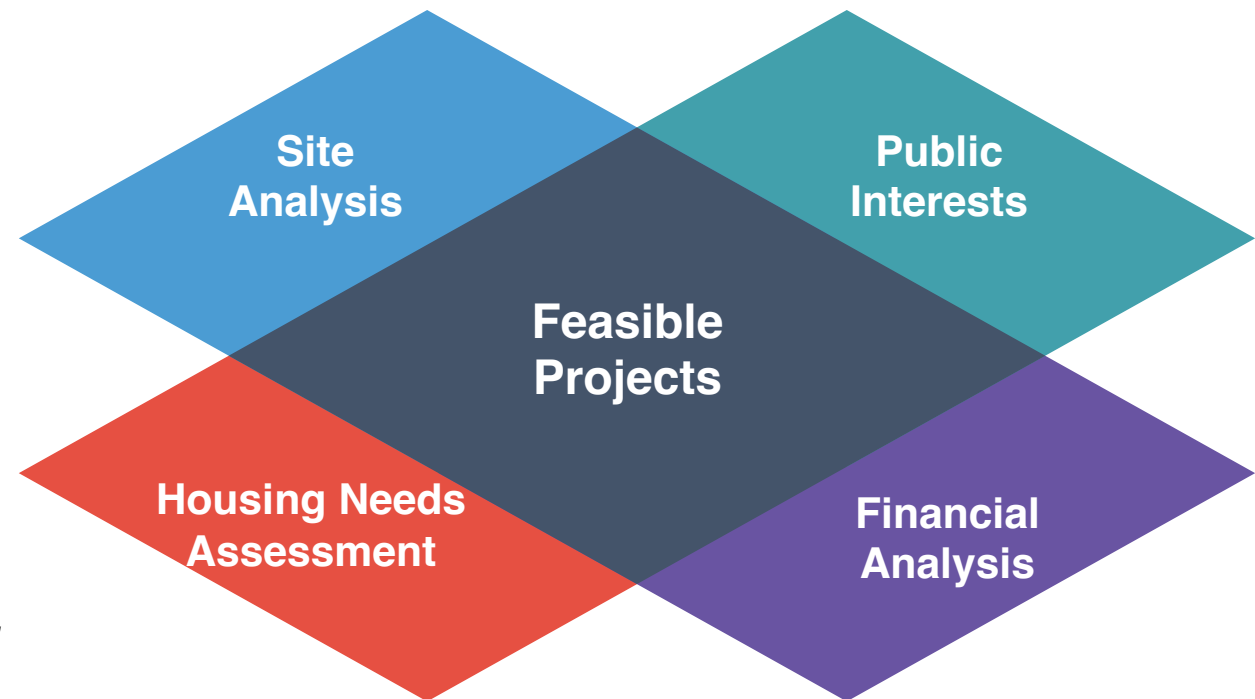
Appendix



The Town of Apex engaged the Development Finance Initiative (DFI) to support the Town in identifying and prioritizing sites for affordable housing development. The scope of work includes:

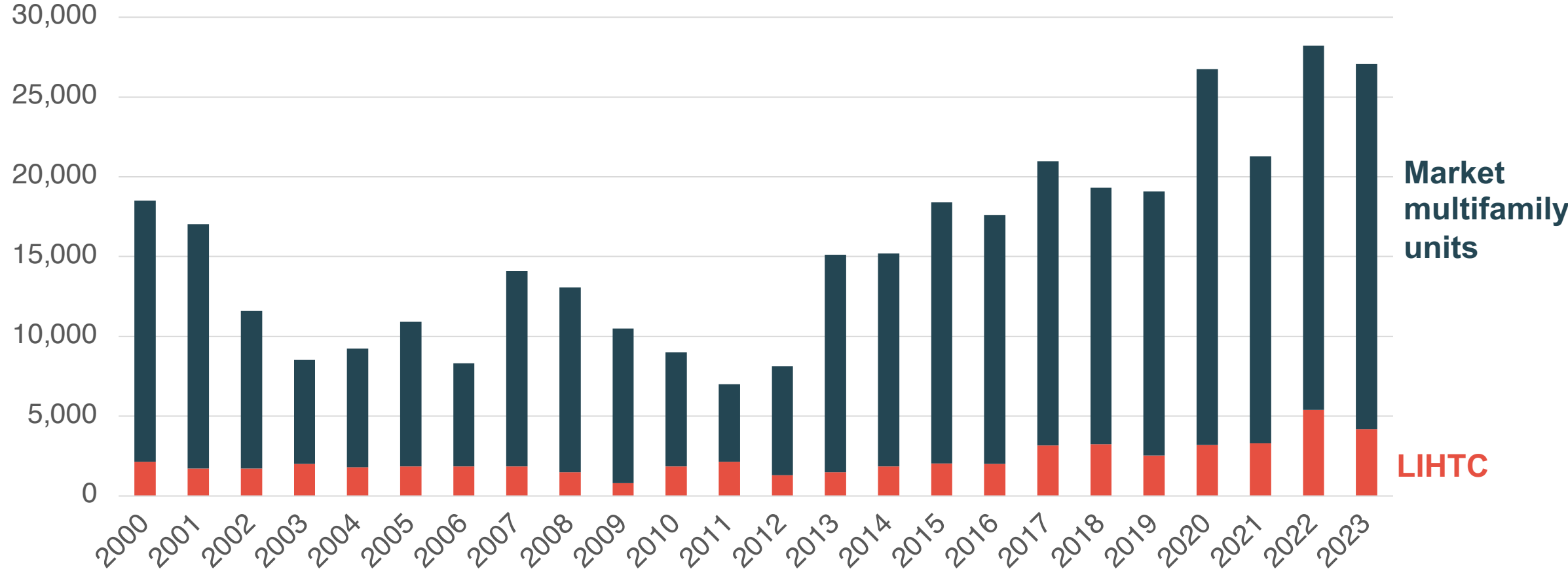
1. DFI feasibility analysis to understand current market and development conditions, including an affordable housing needs assessment
2. Identification of up to six private development opportunities, and narrow to three based on feasibility analysis and affordable housing priorities
3. Recommendations related to the potential redevelopment of the top sites and advising the City on next steps

Pending outcome of analysis, potential for DFI engagement for phase 2 pre-development services and partner solicitation.



Why focus on LIHTC?

LIHTC consistently funds new units in NC every year



Source: National Housing Preservation Database, CoStar Analytics

LIHTC provides equity and a framework for monitoring private development



Low-Income Housing Tax Credit (LIHTC) provides tax credits for acquisition, rehab, or new construction of affordable rental units.



Awarded to private developers or non-profits, not local governments.



Contributes equity to a project dependent on suitability of site for development:

- 9% (high subsidy, highly competitive)
- 4% (less subsidy, less competitive)



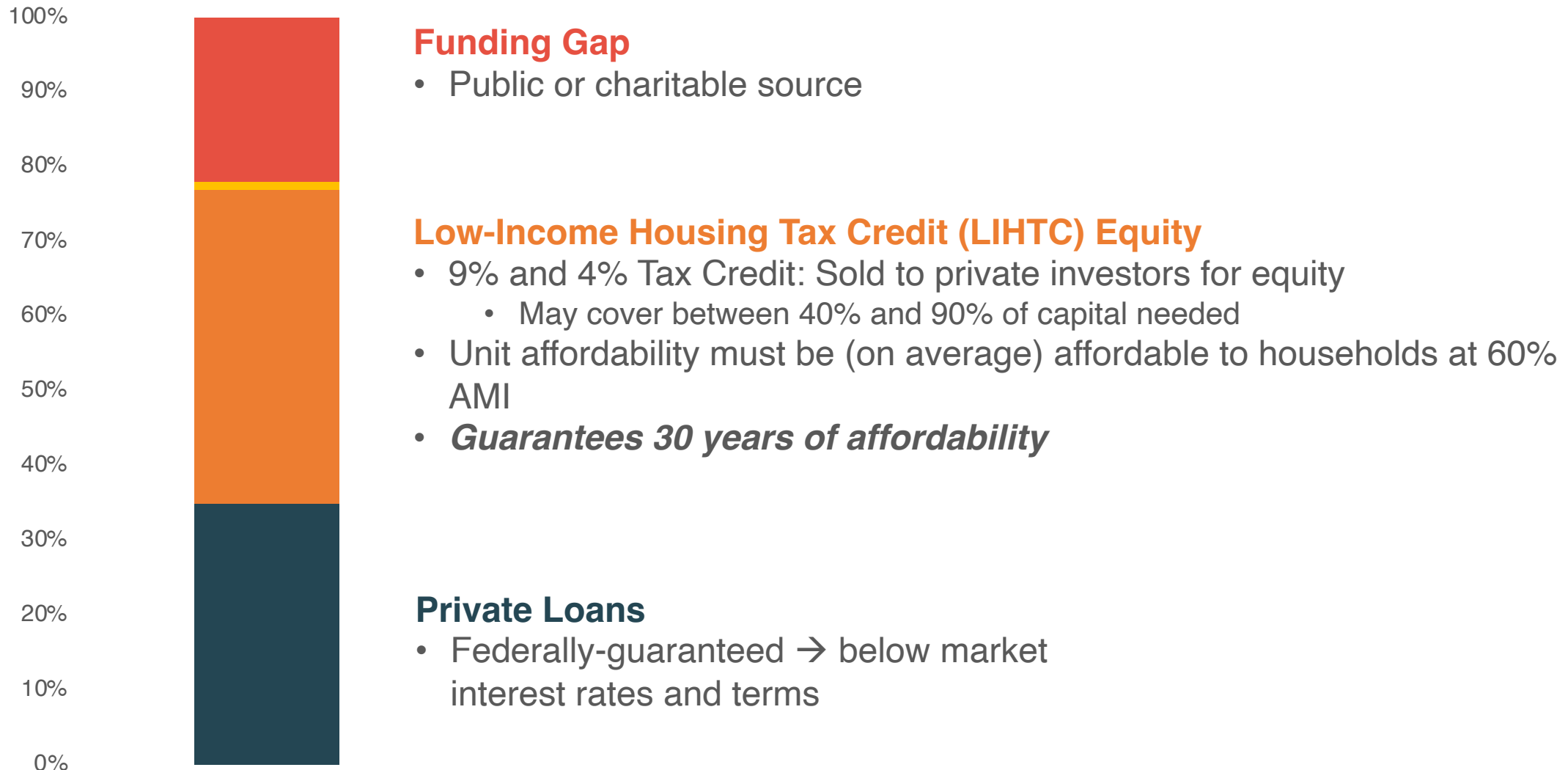
Project remains affordable for 30 years (privately owned and managed) and monitored by NC Housing Finance Agency.



Income requirements: 20-80% AMI.



Funding for Affordable Rental Development



Affordable Rent Limits (2023)

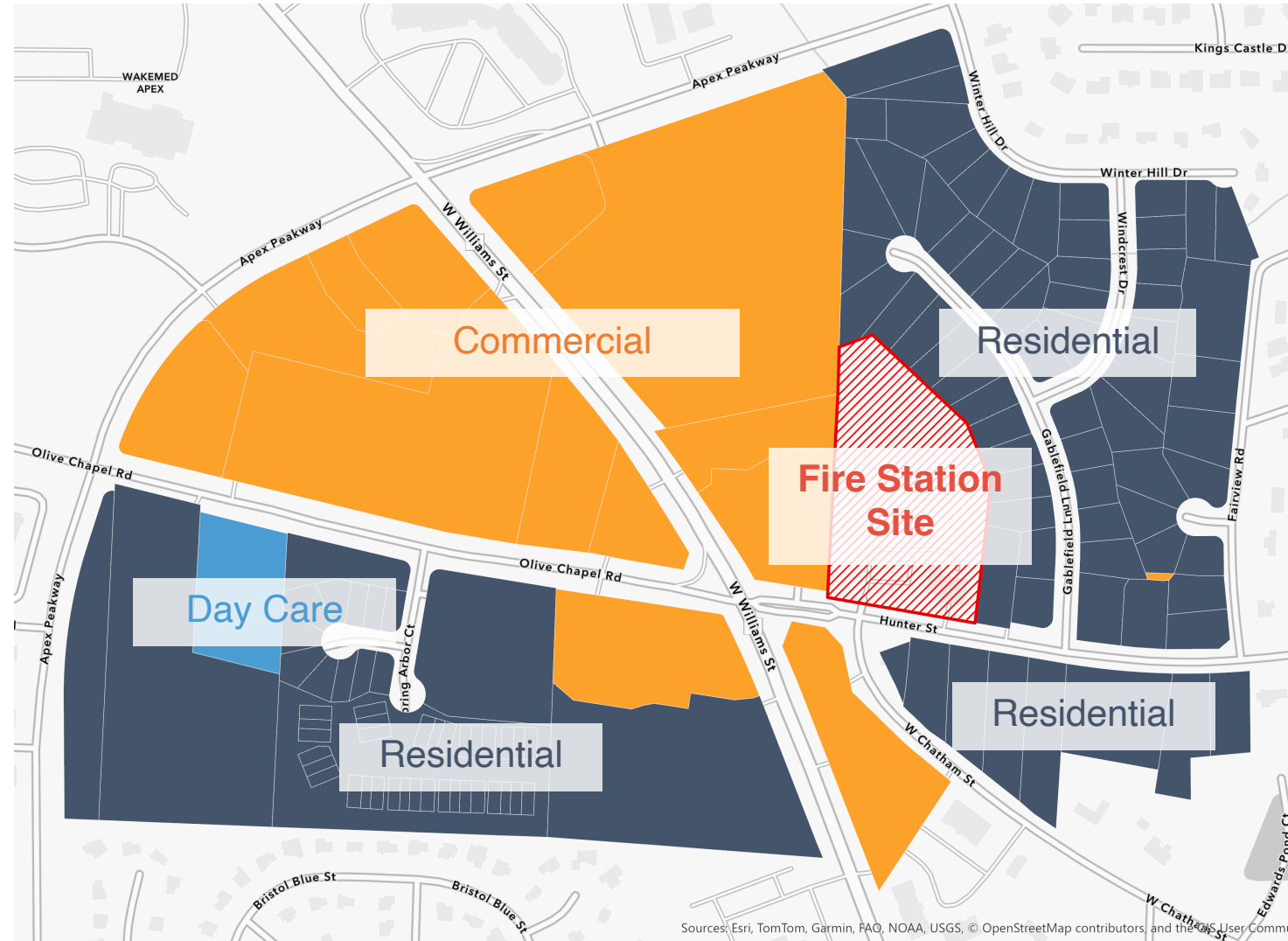
	30% AMI	50% AMI	60% AMI	80% AMI
1-Bed	\$640	\$1,060	\$1,275	\$1,700
2-Bed	\$765	\$1,275	\$1,530	\$2,040
3-Bed	\$880	\$1,470	\$1,770	\$2,340

Fire Station #3



Considerations: Fire Station #3

- Likely 9% LIHTC competitive
- Est. 3 developable acres
- Development can co-locate with the fire station
- Access only from Hunter Street?
- Several unknowns regarding fire department plans and potential environmental considerations.
 - May impact development timeline.
- Est. minimum public investment is the conveyance or lease of the land



Sources: Esri, TomTom, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the User Community

Site can support up to 70 units with 3-story buildings

Est. Max Financial Gap*	\$1.7M
<i>Gap per unit</i>	\$25,000

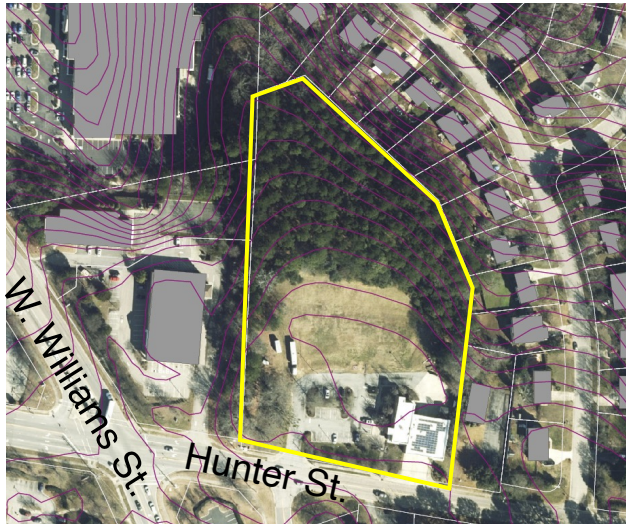


*Financial gap is based on current market conditions and an est. construction cost of \$262K per unit. Gap reduces with fewer units.

Summary



Potential Development Opportunities

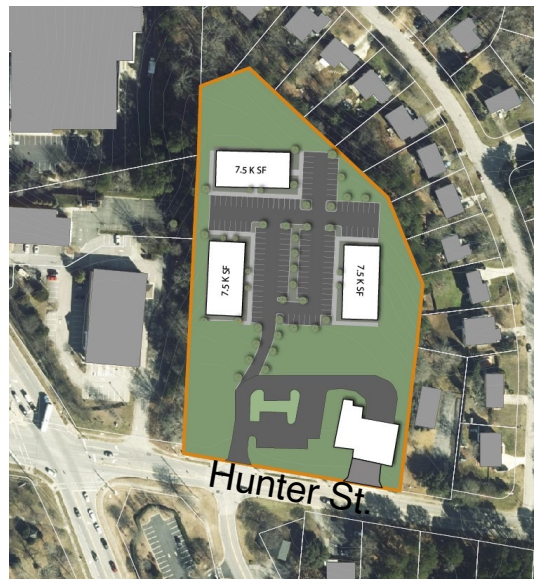


Both sites are likely competitive for 9% LIHTC and are either publicly-owned or have path to site control.

Key Differences

- Location
- Number of units the site can support
- Income level of households served
- Potential financial gap

Summary: Affordable Housing Development Opportunities



Fire Station #3



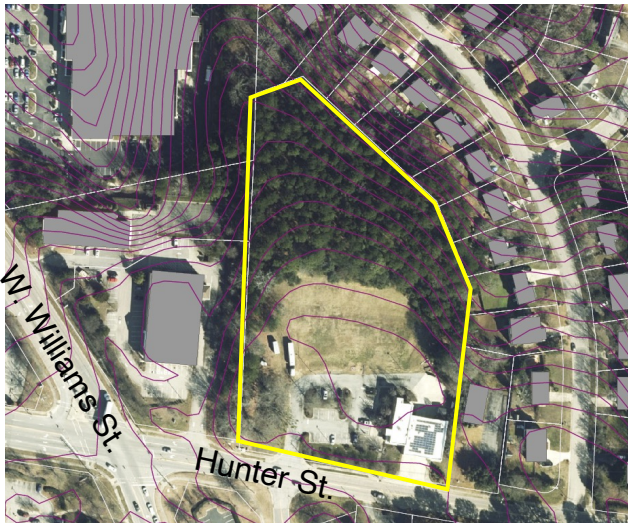
S. Hughes St. and Perry Rd.



Units	Up to 70	Up to 170
Est. Financial Gap*	Up to \$1.7M	Up to \$14M
<i>Est. Gap per unit</i>	<i>Up to \$25,000</i>	<i>Up to \$92,000</i>

*The financial gap is based on current market conditions and an est. construction cost between \$262K and \$266K per unit

Development Considerations



Fire Station #3

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