

Joint Work Session

Orange County Board of County Commissioners (BOCC)
Orange County Affordable Housing Advisory Board (AHAB)

Link Government Services Center
200 S. Cameron Street
Hillsborough, NC 27278

Tuesday, September 9, 2008
5:30 pm (Dinner)
6:00 pm (Meeting begins)

Agenda

- | | |
|--|--|
| I. Introductions and Opening Comments
<i>(6:00 – 6:05 pm)</i> | Barry Jacobs, BOCC Chair
Artie Franklin, AHAB Chair |
| II. Recent Accomplishments/Activity
<i>(6:05 – 6:15 pm)</i>
Comprehensive Plan – Housing Element
Housing Bond Program Update
Housing Authority Update | Artie Franklin
Gary Gaddy
Jabrina Robinson |
| III. Long-Term Affordability Documents
<i>(6:15 – 6:45 pm)</i> | Tara L. Fikes
Geoffrey Gledhill |
| IV. Mobile Home Initiatives
<i>(6:45 – 7:00 pm)</i>
Pilot Preservation Project
Needs Assessment | Barbara Mull |
| V. Section 8 Housing Choice Voucher Program Update
<i>(7:00 – 7:05 pm)</i> | Tara L. Fikes |
| VI. Eno Haven Follow-up Questions
<i>(7:05 – 7:10 pm)</i> | Tara L. Fikes |
| VII. Closing Comments | |
| VIII. Adjourn | |

Item II

2001 Housing Bond Program Update

Project Name	Sponsor	Commitment Date	Commitment Amount	Expenditures	Remaining Funds	Completion Date
Completed Non-Landbanking Projects						
Rental Property Acquisition Orange County, NC	Chrysalis Foundation	6/17/2003	\$250,000	\$250,000		Dec-04
Rental Property Acquisition Carboro, NC	Weaver Comm Housing Assoc	6/17/2003	\$220,000	\$220,000		Oct-03
New Construction Rusch Hollow Chapel Hill, NC	Habitat for Humanity	5/20/2003	\$170,000	\$170,000		Jan-05
Property Acquisition - Milton Avenue Chapel Hill, NC	OCHLT	5/1/2008	\$100,000	\$100,000		Jun-08
Property Acquisition - Rental Chapel Hill, NC	CASA, Inc Pritchard Avenue Apartments	3/18/2008	\$532,300	\$532,300		Aug-08
New Construction - Sykes Street Project Chapel Hill, NC	EMPOWERment, Inc	5/20/2003	\$90,000	\$90,000		Jun-08
Incomplete Projects						
Subtotals						
			\$1,472,300	\$1,472,300		
New Construction - Purefoy Drive Chapel Hill, NC	Habitat for Humanity	4/24/2007	\$450,000		\$450,000	
Rental Property Acquisition Orange County, NC	Affordable Rentals	6/17/2003	\$300,000	\$256,934	\$43,066	
New Construction - Rental Chapel Hill, NC	Chrysalis Foundation Rusch Hollow	1/15/2008	\$130,000		\$130,000	
Second Mortgage Assistance - N. Fairview Hillsborough, NC	Habitat for Humanity	5/1/2008	\$180,000		\$180,000	
New Construction - Rental Hillsborough, NC	Banks Law Firm Eno Haven	6/5/2008	\$1,000,000		\$1,000,000	
Subtotals						
			\$2,060,000	\$256,934	\$1,803,066	
Completed Projects - Land Banking						
Property Acquisition Chapel Hill, NC	EMPOWERment, Inc	11/3/2005	\$131,243	\$129,930	\$1,313	
Property Acquisition Chapel Hill, NC	Habitat for Humanity	12/19/2005	\$205,000	\$205,000		
Property Acquisition Hillsborough, NC	Habitat for Humanity	6/26/2006	\$116,250	\$116,250		
Property Acquisition - N. Fairview Hillsborough, NC	Habitat for Humanity	5/1/2008	\$182,000	\$182,000		
Sub-total			\$634,493	\$633,180	\$1,313	
Total Commitments						
Total Commitments - Undisbursed			\$4,166,793	\$2,362,414	\$1,804,379	
Bond Funds Available						
Total 2001 Housing Bonds			\$4,000,000			
Unallocated 1997 Housing Bonds			\$352,500			
TOTAL			\$4,352,500			
less Total Commitments			\$4,166,793			
less OCHLT Application Under Review			\$200,000			
Remaining Housing Bond Funds			\$14,293			
Some applicants have indicated that they will not use their full allocation and those reductions will cover this projected shortfall.						

Orange County Housing Authority Update

On March 18, 2008, the Board of County Commissioners (BOCC) approved the revised bylaws for the Housing Authority. Efforts are currently underway to recruit board members. The following language has been drafted for board member recruitment. Ideally, these members could be appointed by the end of the 2008 calendar year.

Orange County is currently seeking applicants for the Orange County Housing Authority (OCHA) Board. The goal of the Orange County Housing Authority is to provide decent, safe, and sanitary housing for the low and moderate income families in the County. OCHA currently manages approximately 615 Section 8 Housing Choice Vouchers in the County and provides leadership for other affordable housing initiatives in the County.

The Authority is governed by a seven (7) member Board of Commissioners, appointed by the Orange County Board of County Commissioners for staggered terms for periods of no more than five years each. At least one member of the Board shall be a Section 8 voucher holder. Other board members may represent the following areas of interest: real estate; development; affordable housing; real estate and/or municipal law; and/or banking.

If interested, please contact the Orange County Clerk to the Board of County Commissioners at (919) 245-2125.

Also, it should be noted that at the time of appointment of members, the BOCC will be asked to approve the following amendment in Article II, Section 4 of the Housing Authority Bylaws in an effort to clarify board terms.

Section 4. Term. ~~Each commissioner shall hold office for a term of three years.~~ Each commissioner shall hold office for a term prescribed by Housing Authority Law of the State of North Carolina. If the commissioner directly assisted by the Authority ceases to receive such assistance during his or her term, the commissioner's term shall be terminate and another person who is directly assisted by the Authority shall be appointed by the Orange County Board of County Commissioners.

The N.C. Housing Authority Law contains the following language regarding board terms, although we are recommending the generic language above to prevent the need to revise the OCHA Bylaws in the future. Please note that all references mean "city" mean "county" and the references to the Mayor mean the Board of County Commissioners for a county housing authority.

§ 157-5. Appointment, qualifications and tenure of commissioners.

(d) **The mayor shall designate overlapping terms of not less than one nor more than five years for the commissioners first appointed. Thereafter, the term of office shall be five years.** A commissioner shall hold office until his or her successor has been appointed and has qualified. Vacancies shall be filled for the unexpired term. A majority of the commissioners shall constitute a quorum. The mayor shall file with the city clerk a certificate of the appointment or reappointment of any commissioner and such certificate shall be conclusive evidence of the due and proper appointment of such commissioner. A commissioner shall receive no compensation for his or her services but he or she shall be entitled to the necessary expenses including traveling expenses incurred in the discharge of his or her duties.

September 3, 2008



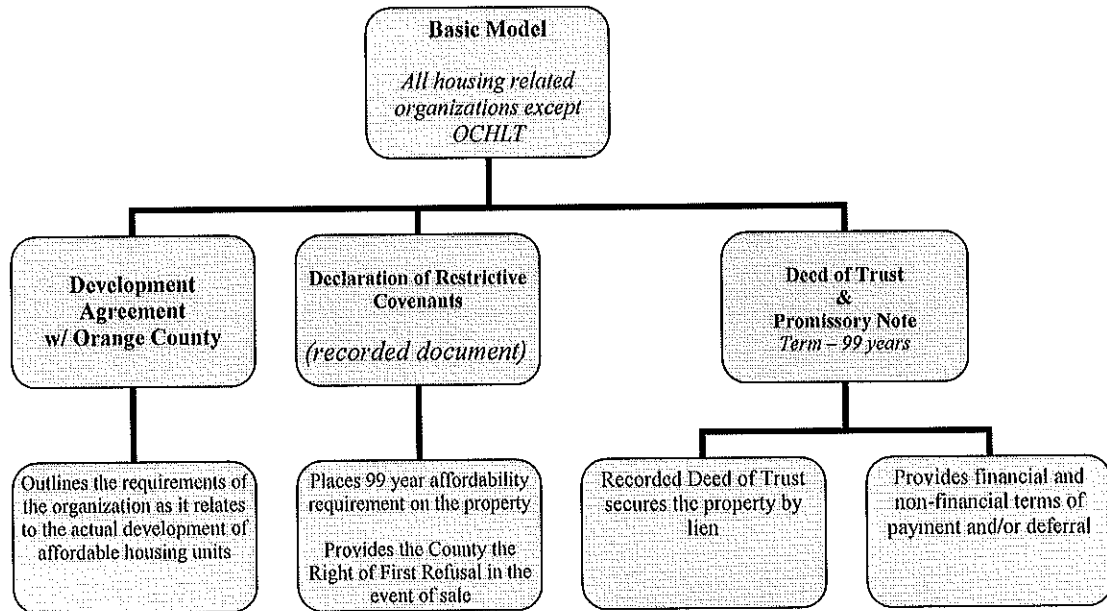
Orange County
Housing and Community Development

Date: September 4, 2008
To: Orange County Board of Commissioners
From: Tara L. Fikes, Director
Subject: Long-Term Affordability Documents
cc: Geof Gledhill, County Attorney

The purpose of this memorandum is to provide an update of the contractual and legal documentation used to secure the County's interest in long-term affordability in all affordable housing projects that receive County funding.

Currently, all affordable housing projects financed with Community Development Block Grant (CDBG) funds, HOME Investment Partnership Program funds, and Orange County Affordable Housing Bond funds are required to remain affordable for a period of 99 years. This requirement is secured by a number of documents as outlined below after the review and approval of the County Attorney.

Basic Model



In the Basic Model, the financial assistance provided by the County is structured as a deferred loan for the full period of the loan or 99 years. In most cases the County loan is in a second position, subordinate to the first mortgagor. It is acknowledged that a second lien position is "frail", however, it is often necessary to enable project developers to obtain other sources of funding. The loan documents include a Declaration of Restrictive Covenants, Deed of Trust and Promissory Note. (For projects that receive financial assistance in the form of a grant, only the Development Agreement and Restrictive Covenants are applicable.

These documents have been drafted and "tweaked" a few times over the last few years by the County Attorney and Housing/Community Development Director as the number of affordable housing projects have increased and the type of projects have become more diversified. As information for the Board, the following outlines important details regarding these documents.

Default Provisions

The following default provisions are contained in the Deed of Trust.

- a. *the failure to make when due any payment, whether of principal or interest under the Note;*
- b. *the failure to make any other payment to Lender required by the Loan Documents within ten (10) days after notice from Lender directing Borrower to make the payment, but in any event before the same is past due;*
- c. *any covenant, representation, warranty made by Borrower or material information supplied to the Lender proves to be materially false or misleading when made or given; the transfer of all or part of the Premises (including a beneficial interest) without Lender's prior written consent;*
- d. *the death, dissolution, merger, consolidation or termination of existence of Borrower or any guarantor hereof or the transfer of any beneficial interest in Borrower without Lender's prior written consent (if Borrower is a married couple, the death of Borrower means the death of the survivor of the married couple);*
- e. *the application for the appointment of a receiver for Borrower or any guarantor; or the filing of a petition under any provisions of the Bankruptcy Code or Act by Borrower or any guarantor; or the filing of a petition under any provisions of the Bankruptcy Code or Act against Borrower or guarantor which is not dismissed within 30 days; or the filing of an answer in an involuntary proceeding admitting insolvency or inability to pay debts; or any assignment for the benefit of creditors by or against Borrower or any guarantor; or the attachment, execution or other judicial seizure of any portion of Borrower's or any guarantor's assets which is not discharged within ten (10) days; or*
- f. *the failure of any Borrower to perform any other non-monetary obligation or condition of the Loan Documents within 30 days after notice from Lender; provided that if such default cannot reasonably be cured within 30 days, it shall not constitute an Event of Default as long as Borrower is diligently pursuing such cure unless it is not cured within 180 days after the original notice of default from Lender.*

Upon any Event of Default, the entire principal sum evidenced by the Note and accrued but unpaid interest hereon may, at the sole option of Lender, be declared at once due and payable, time being of the essence of this obligation. Failure of Lender to exercise this option in the event of any Event of Default shall not constitute a waiver of the right of Lender to exercise the same in the event of a subsequent Event of Default.

In practice, in the event of default, there is a large penalty imposed on the non-profit organization because the principal and 10% interest due from non-profit organizations could accrue to an astronomical number. Further, the requirement to carry this potentially enormous debt as a contingent liability can also significantly impact the organization's financial statement.

It can be argued that the county's ability to recover all of our initial investment (plus interest) may be unlikely in the event of default, however, it is in the County's best interest to require a significant penalty if the property does not remain affordable long-term.

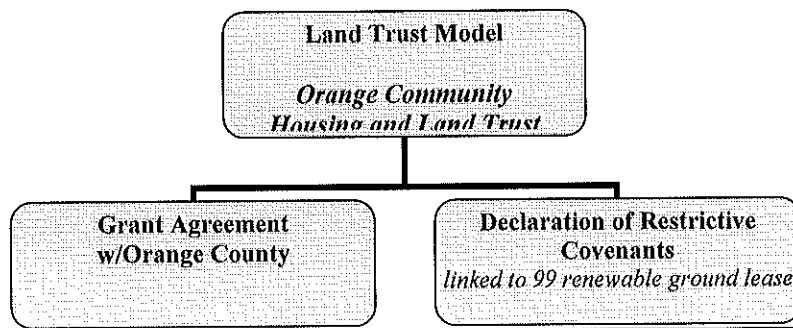
Non-Recourse Language

Initially, the language of the County's Promissory Note did not include non-recourse language, thus, if a default occurred and the proceeds from the property did not repay the entire County investment, then the County could look to other assets of the Borrower to recover the indebtedness. However, recent conversations with a local non-profit organization coupled with the County's lack of interest in pursuing the holdings of non-profit organizations to satisfy outstanding debts has led County staff to revise the language of the Promissory Note to include non-recourse language. This will allow the County to only seek to satisfy its indebtedness to the extent of the proceeds of the mortgaged property except when the property has been neglected by the project developer. In the event of property negligence, the non-recourse nature of the loan would be void and the County could seek repayment from all available assets of the Borrower.

Project Maintenance

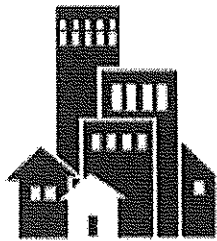
It is expected that the affordable property and/or project remain affordable to low and moderate income families and in good condition throughout the term of the County's loan or for 99 years. Thus, the borrower or project developer must pay any applicable taxes and insurance, in addition to making repairs when necessary while continuing to maintain the property as affordable.

Second Model



In the Land Trust Model, the financial assistance provided by the County is structured as a grant and is linked to the Land Trust ground lease that guarantees affordability for 99 years. A Declaration of Restrictive Covenants is recorded on the property to secure the County's long-term affordability interests.

If you have questions or need additional information, please feel free to contact me.



COMMUNITY
REINVESTMENT
ASSOCIATION
OF
NORTH CAROLINA

September 3, 2008

Preservation and Redevelopment of a Manufactured Housing Community

Manufactured housing in land lease communities is a popular and common housing choice in Orange County. In 2006, 9,230 residents occupied 3,770 mobile homes in Orange County, with many of these units on leased land. They provide affordable housing and neighborhood environments. They also face distinct disadvantages in land tenancy, quality and financing. As land use changes and the housing stock ages, there is a loss of this type of affordable housing.

Successful conversions of manufactured housing communities from for-profit to non-profit status have provided long-term affordability and neighborhood revitalization. The Community Reinvestment Association of North Carolina has documented the challenges of land lease communities in North Carolina and success stories in Vermont, New Hampshire, Nevada and California in its book This Is My Home.

The first conversion of a land lease community to nonprofit ownership has happened in Burnsville, North Carolina. This model can be replicated in Orange County with the Orange Community Housing and Land Trust (OCHLT) as the principal for the acquisition and redevelopment of non-profit manufactured housing community. The park would operate under the land trust model. Residents would own their units and participate in the park management. OCHLT would own the land and infrastructure of the community and act as the property manager. This is a consistent fit with park resident expectations of owning the unit and renting the land and with OCHLT experience of managing land trust communities.

As a project illustration, a community in the unincorporated area of Orange County is for sale at an asking price of \$200,000. If sold to a nonprofit, the owner can receive a tax deduction of 5% of the sales price on state taxes owed.

Orange Community Housing and Land Trust would purchase the park using private bank financing of \$100,000 assuming loan terms of 8% interest 20 year amortization, and a \$150,000 grant or 0% interest rate loan from Orange County. Transaction costs are estimated at \$18,400 including predevelopment expenses. Site improvements to improve appearances and utility include landscaping, mailboxes, and signage. Four new pads would be installed, one new septic system and other improvements estimated at a total budget of \$31,600. The total acquisition and redevelopment is estimated at \$250,000.

Currently, the park rents 8 lots at \$230 and one unit for \$465 or seven units at \$230 and 1 lot/unit combo at \$675 for a gross potential income (GPI) of \$27,660. Operating costs under management by the OCHLT are estimated at \$13,060. OCHLT is compensated at 8% of NOI for management services. Debt service is estimated at \$10,185. The property could operate with a 1.14 debt to operating income ratio as is and during transition. By adding four new units, GPI can be increased to \$33,120, creating a stronger DOI of 1.33. This assumes that the one mobile home that is currently rented is sold to a resident and that the proceeds are used to help capitalize an operating reserve.

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New double wide units with 3 bedrooms and two baths at 1,600 sq ft are priced at \$60,000 with \$5,000 installation costs and \$3,000 transaction costs. Assuming an 8% interest mortgage at 20 year term, taxes, insurance and lot rent of \$230 – housing costs would be an estimated \$753 a month. This is affordable to a family earning less than 65% of the 2004 area median income of Orange County. New singlewide units are affordable to households at 49% of area median income. In this example, long term affordable housing is provided with a unit subsidy of \$12,500. With a relatively small subsidy, the County achieves very affordable housing and an improved neighborhood.

This is a concept proposal for further consideration. Due diligence is needed on the financial assumptions, the property condition, and the capacity of the OCHLT before any commitments are made. The Community Reinvestment Association of North Carolina is willing to provide technical assistance and the use of its loan fund for assistance in the acquisition and redevelopment of an initiative in Orange County.

Orange County Mobile Home Park

Operating Proforma

Income

	Number	Rent	
Lots	8	\$ 230.00	\$ 22,080.00
Unit	1	465	\$ 5,580.00
Gross Potential Income			\$ 27,660.00
Vacancy	5%		\$ (1,104.00)
NOI			\$ 26,556.00

Operating Expenses

Maintenance	\$ 1,800.00
Electric	\$ 136.00
Septic Service	\$ 1,500.00
Property Management Fee	\$ 2,124.48
Professional Services	\$ 1,500.00
Replacement Reserve	\$ 1,500.00
Taxes	\$ 2,000.00
Insurance	\$ 2,500.00
subtotal	\$ 13,060.48

Debt - 8% 20 yr \$10,185.22

Total \$ 23,245.70

Net \$ 3,310.30

Debt to Operating Income 1.14

After four units are added and rental unit sold.

Income

	Number	Rent	
Lots	12	\$ 230.00	\$ 33,120.00
Unit	0		\$ -
Gross Potential Income			\$ 33,120.00
Vacancy	5%		\$ (1,656.00)
NOI			\$ 31,464.00

Operating Expenses

Maintenance	\$ 1,800.00
Electric	\$ 136.00
Septic Service	\$ 1,500.00
Property Management Fee @8%	\$ 2,517.12
Professional Services	\$ 1,500.00
Replacement Reserve	\$ 1,500.00
Taxes	\$ 2,000.00
Insurance	\$ 2,500.00
subtotal	\$ 13,453.12

Debt - 8% 20 yr \$10,185.22

Total \$ 23,638.34

Net \$ 7,825.66

Debt to Operating Income 1.33

Orange County Mobile Home Park

New Unit Financing

Sources

Mortgage Financing	\$	65,000.00
Borrower cash	\$	3,000.00
Total	\$	68,000.00

Uses

Unit Price	\$	60,000.00
Installation	\$	5,000.00
Transaction Costs	\$	3,000.00
Subtotal	\$	68,000.00

PITI@lot rent

Principle and Interest	\$	433.33
Taxes	\$	50.00
Insurance	\$	40.00
Subtotal	\$	523.33

Lot Rent \$ 230.00

Total Monthly Cost \$ 753.33

Affordable to HH Income of \$ 30,133.33
@30% of housing/income ratio

2004 Area Median HH Income \$ 46,621.00

% of Area Median HH Income served 65%

Project subsidy \$ 150,000.00
Units assisted 12
HH unit subsidy \$ 12,500.00

Proposal for Manufactured Housing Needs Assessment and Response for Orange County

The Community Reinvestment Association of North Carolina proposes to develop a Manufactured Housing Needs Assessment and Response for Orange County to:

- inform officials on challenges and opportunities of manufactured housing as an affordable housing and community development issue
- evaluate local conditions of manufactured housing communities
- develop strategies to loss and preservation of manufactured housing.

The Community Reinvestment Association of North Carolina will conduct a survey and analysis of the condition and location of Orange County's Manufactured Housing Communities (MHC) utilizing the County's inventory of manufactured housing communities. The survey will include GIS mapping of MHC in relation to surrounding commercial, residential and environmental considerations. The survey will provide a photo and where available descriptive data including housing affordability of lot rents. The survey will categorize the quality and condition of MHC based on infrastructure. Based on this survey, the analysis will look at the contribution of MHC to affordable housing and provide an assessment of future scenarios for housing loss or preservation based on development trends and MHC conditions.

We anticipate that the categories of MHC will be

- stable and well maintained with likely continued use
- probable land use change due to commercial and residential development
- need for intervention due to poor infrastructure and housing conditions

Based on these categories, the Response section will provide recommendations for Orange County as it

- addresses dislocation of residents from MHC that are closed
- considers preservation and development strategies of MHC for affordable housing and community redevelopment.

The report will link the Needs Assessment with the Response section to categorize MHC that have high value opportunity for Orange County to consider for preservation or intervention actions. The Response section will list tools and resources available to the County to fulfill these objectives including zoning, health code, acquisition and redevelopment among others.

The Community Reinvestment Association of North Carolina is recognized nationally for its expertise in manufactured housing as the producer of the book [This is My Home, Opportunities and Challenges of Manufactured Housing](#). Peter Skillern and Adam Rust who will undertake the project both have Masters in City and Regional Planning from UNC Chapel Hill and extensive experience in the housing and community development field. Mr. Rust has a Masters in Journalism which he utilizes in the photography and documentation of manufactured housing communities.

Orange County Section Eight Housing Voucher Choice Program

Status Report

Background

The Section 8 Housing Choice Voucher Program is a federally funded rental assistance program administered by public housing authorities (PHAs) or other government agencies. The programs' primary purpose is to provide rental assistance to low-income families with affordable decent, safe, and sanitary housing. Tenants take the voucher and use it to rent homes in the private market. Families interested in the program apply to a local housing authority or other government agency for a Section 8 tenant-based voucher- a voucher that "stays" with the tenant.

Currently, Section 8 helps more than 1.4 million households in the United States by paying private landlords the difference between what the household can afford and the rent for the unit. In Orange County, the program is administered by the Orange County Housing and Community Development Department and serves approximately 615 families countywide.

The administering housing authority or government agency is also responsible for inspecting the selected housing unit to make sure it complies with the Housing and Urban Development's (HUD) Housing Quality Standards and ensuring that the rent charged is reasonable for the local housing market.

The following information provides summary information regarding the current status of the Section 8 Program in Orange County.

Funding Capacity

The U.S. Department of Housing and Urban Development provides funding for the Section 8 Program. The approved Section 8 budget for Fiscal Year 2007-2008 is \$4,164,334. Given HUD's funding scheme, this amount allows us to fund approximately 615 vouchers annually. Increasing rental rates and the bedroom composition of our participants our actual costs are being monitored closely to ensure that actual program expenses do not exceed budget authority. Thus, the total number of units financed by the program may be reduced in the coming months.

Current Program Characteristics

- ⇒ Approximately 254 property owners lease property to 615 on average.
- ⇒ Of the 623 units, 599 are designated as tenant based vouchers and 24 vouchers are designated as project based vouchers for the Club Nova Apartments only.
- ⇒ The majority of the rental units are in the Carrboro/Chapel Hill area (Southern Orange County).
- ⇒ Racial family composition: approx. 64% African-American; 34% Caucasian; 1% Other.
- ⇒ Of participating families, 54% have an elderly or disabled head of household while the remaining 46% represent families with many working head of households.
- ⇒ Most families lease two-bedroom units.

Waiting List Status

The current Section 8 Waiting List totals approximately 2,200 families and applications are presently being accepted in the office on Tuesdays and Thursdays only. We are in the process of purging the waiting list to be certain that we maintain a current and accurate list of applicants. Applicants were contacted by mail and asked to return the postage paid reply card by July 31, 2008 indicating their interest in remaining on the waiting list and we are now removing the names of those that did not respond to our request.

Selections are made from the waiting list according to date and time of application and preference ranking when current voucher holders leave the program which limits the number of new families we are able to assist each year. As a result, the average wait time on the list is close to three years and many wait longer than that time period.

While most of those on the waiting list are Orange County residents, in recent months, we have seen an increase in the number of applicants from surrounding counties because the waiting list in those counties is closed. Specifically, in the Triangle, the Section 8 Programs in Durham, Graham (Alamance County), and Wake County are no longer accepting applications for the program. Only the City of Raleigh has an open waiting list. This does cause some interested families to look for available programs that are accepting applications. Thus, for those program still accepting applications, this trend causes the waiting lists to become unmanageable quickly.

Therefore, in the next few months, after the purge process is complete, County staff will be analyzing our list to determine if we should continue to accept applications given our ability to provide vouchers continues be stretched over several years.



Orange County
Housing and Community Development

Date: September 4, 2008
To: Orange County Board of Commissioners
From: Tara L. Fikes, Director
Subject: Eno Haven Follow-up

This memorandum is written in response to questions posed at the August 19th BOCC meeting regarding the Eno Haven apartment complex to be built in Hillsborough. Eno Haven will be a 76 unit multi-family rental complex developed by The Banks Law Firm that will serve low income elderly and disabled individuals. On August 15, 2008, the North Carolina Housing Finance Agency (NCHFA) announced the award of Low Income Housing Tax Credits to the Eno Haven project.

On June 5, 2008, the BOCC awarded \$1M in affordable housing bond funds to assist in the construction of this project. And on August 18, 2008 the BOCC approved the issuance of taxable bonds to fund this bond allocation so that the project could receive the maximum benefit from the Low Income Housing Tax Credit Program (LITHC). During that discussion some questions were raised and staff would like to provide the following information in response.

Introduction

As stated earlier, this project will receive Low Income Housing Tax Credits from the N.C. Housing Finance Agency that will assist in financing the construction of this project. Summarily, the LITHC works in the following manner.

"The Internal Revenue Service (IRS) allocates federal tax credits to states and states award the credits to eligible affordable housing developers. Those developers use the equity capital generated from the sale of the tax credits to lower the debt burden on tax credit properties, making it easier to offer lower rents. Investors, such as banks, purchase the tax credits to lower their federal tax liability.

Once the project is put in service, the tax credit compliance period for the investor extends for 15 years, however, the property must maintain affordable rents for at least 30 years."

(Source: U.S. Department of the Treasury)

LIHTC Program Experience

In North Carolina, there have been approximately 1700 rental projects awarded tax credits in the 21 year history of the program. To date, only six (6) rental complexes have experienced foreclosure with the majority occurring after the initial 15 year tax credit tax credit compliance period. That experience mirrors the nationwide foreclosure rate of tax credit projects which the Office of Community Affairs Department of the US Department of the Treasury estimates at .03 percent. They state that "by comparison, loans to non-tax credit apartment real estate have a foreclosure rate of .29 percent."

Foreclosure has occurred in our state for different reasons including: a lack of oversight, death of the owner, and, other outside influences including land use pressures. When foreclosures have occurred, about half of the projects have been transferred to non-profit organizations that continue to operate the property as affordable housing and the other half have been sold and converted to market rate housing.

The penalty for foreclosure include: ineligibility for any future award of tax credits and the financial recapture of tax credits for 15 years if the foreclosure occurs within the initial 15 compliance period. It should be noted that most developers and investors do all possible to prevent foreclosure during the initial period to avoid the high cost of recapture of the tax credits. And, the associated risks are the same for both for-profit organizations and non-profit organizations.

Deed Restrictions and Lien Positions

The LIHTC Program requires that the property remain affordable for 30 years and a document entitled "Declaration of Land Use Restrictive Covenants for Low Income Housing Tax Credits" is recorded on the deed to the property. Orange County, however, has a 99 year long term affordability requirement that is secured by a Declaration of Restrictive Covenants as well. In this deal, Orange County's Covenant will be recorded after the Tax Credit Declaration.

The financing for the project is summarized on the next page and the lien position will be as ordered in the summary. All mortgages will be secured by a Deed of Trust and Promissory Note. It should be noted that the County's loan will be in second lien position to the bank loan. The County loan will be repaid at the end of the loan term (30 years), the project owner will refinance the property to pay the balloon payment of \$1M.

Hopefully, this additional information addresses the issues raised at your last meeting. If you have questions or need more information, please advise. Thanks for your continuing support for affordable housing in our community.

Summary of Permanent Funding Sources						
Eno Haven						
Source:	Amount	% of Total	Rate	Term (years)	Amort. Period (years)	Annual Debt Service
BANK	\$1,700,000	19.0%	6.25%	30	30	\$125,606
Orange County Bond	\$1,000,000	11.2%	0.00%	30	30	\$0
RPP LOAN	\$500,000	5.6%	2.00%	20	20	\$4,540
State Refund Credit Loan	\$747,737	8.4%	0.00%	30	30	\$0
Equity: Federal Housing Tax Credits	\$4,927,240	55.0%	Estimated pricing on sale of tax credits:			\$0.830
Deferred Developer Fee	\$77,333	0.9%				
TOTAL SOURCES	\$8,952,310	100.0%				\$130,146