



Date: October 18, 2012

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Interim Director
Department of Community Development
Subject: Adopt Bond Resolution Approving the Issuance of Not to Exceed \$10,000,000 Housing Authority of the City of Durham Multifamily Housing Revenue Bonds (JFK Apartments Project)

Executive Summary

The Housing Authority of the City of Durham wishes to issue its tax-exempt multifamily housing bonds for the benefit of the JFK Apartments affordable housing redevelopment project. The project will be spearheaded by a private developer utilizing tax-exempt multifamily housing bonds and developer equity. As a result of the project, 178 apartment units will remain exclusively affordable to senior citizens.

Recommendation

The Community Development Department recommends that the City Council adopt the resolution authorizing the issuance of the bonds for the JFK Apartments Project.

Background

The Housing Authority of the City of Durham (“DHA”) requests that the City adopt a resolution authorizing the issuance of DHA’s multifamily housing revenue bonds for the purpose of financing the acquisition and renovation of the JFK affordable housing development in north Durham. JFK Apartments is located on a 6 acre site at 4900 Roxboro Road, and consists of 177 two and three bedroom apartment units (the “Development”).

The Development was originally built in 1982. It is a Housing Choice Voucher (Section 8) community made affordable exclusively to persons ages 62 and older, who earn at or below 60% of the Area Median Income.

The applicant-borrower is GMF-JFK Towers, LLC, a Tennessee limited liability company (the “Borrower”). The sole member of the Borrower is GMF-Preservation of Affordability Corp., a Tennessee 501(c)(3) affordable housing development company based in Cordova, Tennessee.

The Borrower has requested that DHA assist in financing a portion of the cost to acquire and renovate the Development through the issuance of its tax-exempt multifamily housing revenue bonds not to exceed \$10,000,000 (the “Bonds”). The Development will remain exclusively affordable to seniors earning at or below 60% of the Area Median Income.

Issues and Analysis

The Bonds will not include low-income housing tax credits (e.g. a 4% low-income housing tax credit-multifamily housing bond deal). These Bonds will be issued as 501(c)(3) bonds under Section 145 of the Internal Revenue Code and therefore no allocation of volume cap is required from the North Carolina Tax Reform Allocation Committee, including the North Carolina Housing Finance Agency. The required public body approvals include DHA, the City and the Local Government Commission.

DHA preliminarily approved the deal on September 26, 2012 by passing an inducement resolution. DHA will hold a public hearing and provide final approval of the Bonds, including approval of the Borrower, the plan of financing and financing team, on October 24, 2012, before the City Council's November 5, 2012 regular meeting. It is anticipated that the Bonds will be purchased by a single purchaser, Merchant Capital of Montgomery, Alabama.

DHA has requested that the City approve the Bonds to allow the financing to meet a requirement of Section 147(f) of the Internal Revenue Code. The Code requires that the "applicable representative" (the City Council) of the jurisdiction in which the bond-financed project is located adopt a resolution after the issuer (DHA) holds a public hearing. As noted above, DHA will hold a public hearing regarding the Bonds on October 24, 2012.

The City will not be liable for the Bonds. The Bonds will be primarily secured by the Development revenues, a first mortgage on the facilities and additional credit guarantees provided by the Borrower. The Bonds will not be secured by any form of taxation or funds of the City. Neither will the Bonds represent or constitute a general obligation of the City. Additionally, the Bonds will not be regarded as an obligation of DHA.

Should the City approve this resolution, DHA will seek final approval from the Local Government Commission before issuing the Bonds. After Local Government Commission approval, the Bonds may be issued and sold, and the proceeds loaned to the Borrower for the benefit of the Development.

Alternatives

The City could choose not to authorize the issuance of the Bonds, which would, in effect, prevent the Borrower from financing the transaction utilizing DHA's tax-exempt multifamily housing bonds.

Financial Impact

The adoption of this resolution has no fiscal impact on the City.

SDBE Summary

Not applicable to this project.

Attachments

Resolution