

Bringing public mixed-income development to Raleigh

The City of Raleigh and the Raleigh Housing Authority (RHA) contracted with [Center for Public Enterprise](#) (CPE) to explore the feasibility of establishing a [mixed-income public development program](#) modeled after successful programs in [Montgomery County](#), Maryland, [Atlanta](#), Georgia, and [Chattanooga](#), Tennessee.

Through implementing this type of program, Raleigh can:

- Create a new pipeline of mixed-income affordable housing for Raleigh that does not rely on existing scarce federal resources
- Catalyze affordable developments on city-owned land
- Strengthen existing partnerships between the city and Raleigh Housing Authority
- Engage private and philanthropic partners to address the city's affordable housing shortage

Model overview

The affordability achieved under the mixed-income public development model is enabled by three key elements:

1. **A revolving loan fund** to provide a portion of construction financing
2. **Lower-cost permanent financing** enabled by existing HUD and Treasury programs
3. **Tax relief** accessed via public ownership

Leveraging these three elements can permit a public entity to build projects that are roughly 70 percent market rate and 30 percent affordable (serving households making 50-80 percent of area median income).

These projects could be developed solely by the public entity or in partnership with the private sector via a public-private partnership. Crucially, the public entity remains the majority owner of any project, allowing it to set the standards for affordability, management, sustainability, and quality of design.

Proposed structure

Over the past six months, CPE worked with the City and RHA to identify a potential governance structure for an entity to undertake this type of public development. Based on the statutory authority of the entities reviewed, CPE found the below governance structure to be the most advantageous:

Parent Organization

Raleigh Housing Authority (RHA)

Subsidiary Type

Wholly owned non-profit organization

Board Composition

Per North Carolina General Statutes § 157-5 housing authority boards are appointed by the mayor of the associated city. The proposed board composition for this governance structure will have the same composition as the existing RHA board.

Board Subcommittees

Day-to-day interactions with staff will occur via subcommittees. A Development Subcommittee will vet and approve projects for recommendation to the subsidiary board. The project will require subcommittee approval prior to moving forward to board approval.

Development Subcommittee Composition

The Development Subcommittee will include one of the following composition options:

Option A: City and RHA Participation

Six (6) seats comprising three (3) seats appointed by RHA Board and three (3) seats appointed by City Council. Recommendations to the board will be approved through majority vote.

Option B: City, County, and RHA Participation (only if County participates)

Nine (9) seats comprising three (3) seats appointed by RHA Board, three (3) seats appointed by the County Board of Commissioners, and three (3) seats appointed by City Council. Recommendations to the board will be approved through majority vote.

RHA as a parent organization provides the statutory authorities needed to implement the public developer model while also having experienced staff on hand. They are an ideal fit for public developer model execution.

Development pipeline

Raleigh has three primary pathways to build a strong pipeline for public mixed-income housing. These options leverage existing opportunities, reduce costs and risk, and accelerate project delivery while maximizing community impact.

Stalled market-rate projects

Partner with private developers on multifamily projects that have stalled due to financial challenges. Raleigh can offer financing in exchange for ownership and affordability commitments.

Benefits: Fast-tracked timelines, lower risk, supports local development activity.

Public land

Redevelop underutilized public land (i.e. city, county, or RHA-owned) through joint ventures. Use RFQs to select co-developers and activate surplus sites for mixed-income housing.

Benefits: Lower total development cost, full public control, supports neighborhood revitalization.

Oversubscribed LIHTC projects

Reengage strong but unfunded LIHTC applications as potential mixed-income projects under Raleigh's model.

Benefits: Pre-vetted, shovel-ready pipeline; strengthens relationships with mission-driven developers.

Raleigh's revolving loan fund

The revolving loan fund will be established through a one-time investment and revolves every 3-5 years. The initial investment will continue to produce mixed-income units into the future well beyond the initial investment into the fund. Additional investments, via bonds or other funding sources, can later be added to the fund after the initial capitalization to increase the lending capacity and allow for more projects.

Mechanisms for funding a revolving loan program

Bond Issuance

Bond Issuance is a pathway for initial investment into a revolving loan fund. There are two primary bonding mechanisms for further exploration:

- General Obligation Bond - through referendum and voter approval
- Bond Issuance by RHA with guarantee by either the City or County

General funds

Agencies have allocated available general funds for the initial investment to the revolving loan fund. Using this method it is essential to identify funds that are not federalized and have maximum flexibility.

Project level testing

Center for Public Enterprise performed market tests on several potential projects to identify early financial feasibility and revolving loan fund sizing. This market testing included a high-level analysis of stalled projects as well as potential projects on public sites that could be

candidates for this type of model. Positive, preliminary conversations with developers and partners suggested an openness to partnership, once a revolving loan fund is established.

Project	Total Units	50% AMI Units	60% AMI Units	80% AMI Units	Market Units	Estimated Revolving Loan Fund
RHA site - Inner Core	165	50	0	0	115	\$9,500,000
Stalled Market Deal - Downtown	178	36	8	8	124	\$23,000,000
Stalled Market Deal - Downtown	221	44	0	22	155	\$24,000,000
City-owned parcel - Southeast	227	45	12	12	158	\$24,000,000
Totals	791	175	20	42	552	\$80,500,000

The revolving loan fund investments in these initial projects range from \$9-24 Million per project. Investments would revolve every 3-5 years and allow Raleigh to finance another tranche of housing projects after each revolution.

Partner roles

The public mixed-income development model provides an ideal opportunity for the City and RHA to partner in the creation of a mechanism that will boost housing production for Raleigh residents. There are many pathways for partnership and roles each partner can play. The table below provides several examples of tasks and potential responsibilities of each party.

Figure 1: Responsibilities by entity.
The numbers in each cell indicate the order in which a particular entity would engage or review on a given task. For example the third row, Project Approval, indicates that approval would begin with housing authority staff (1) before proceeding to city staff (2), then onto the subcommittee (3) and finally to the full board (4).

Tasks	Housing Authority Staff	City Staff	Subcommittee	Board
<i>Program and Project Level Function</i>				
Develop Program Criteria and Underwriting Guidelines	1	2		

Project Identification - Stalled Market Rate Project	1	2		
Project Approval	1	2	3	4
Drafting Request for Qualifications (RFQ) - Land	1	2	3	4
Approval to Issue RFQ - Land	1	2	3	4
RFQ Award Approval	1	2	3	4
Underwriting Projects	X			
Project Management	X			
Pipeline Management	X			
Bond Issuance/Approval	1	2	3	4
<i>Administrative Ongoing Functions</i>				
Asset Management	X			
Reporting to Subcommittee and Board: Financial/Program/Project	1	2	3	4
Subsidiary Accounting and Financials	X			
Board Administration	X			

Next steps

Additional work remains to move this type of model forward. Below is a brief summary of some of the key activities to be accomplished to bring this type of model to fruition.

1. **Confirm bond pathway for RLF capitalization:** Confirm the preferred bond financing pathway and undertake the necessary steps to gain approval for any issuance, including any approval for any type of guarantee or credit enhancement if the City is not the direct issuer.
2. **Confirm preferred governance structure:** The city and its partners can reach consensus on the proposed governance structure and clarify roles for each participating entity. This could also include drafting an intergovernmental agreement between parties, establishing any required subsidiary entities, and planning for the appointment of board members and subcommittee members.
3. **Finalize program structure & implementation:** Jointly develop program criteria and term sheets for potential revolving loan fund investments including ownership criteria, affordability minimums, as well as other locally preferred criteria. Identify initial projects in accordance with adopted criteria for potential implementation.
4. **Continued Stakeholder Engagement:** In addition to briefings for City Council, additional briefings and engagement with the County, RHA board & staff, city leadership, and the development community in Raleigh will be necessary to ensure alignment on expectations and outcomes for this type of program.