

City Council – Action Request Form

Date: March 28, 2017

To: The City Manager

From: D. Ritchie Brooks, Director, Community Development

Council Action Requested:

Authorization of a permanent financing commitment of \$400,000 and up to \$500,000 for development of 96 units of rental housing for families, to be known as The Enclave II.

Summary of Information:

North Carolina Housing Foundation, Inc., located at 750 Bethesda Road, Winston-Salem, NC 27103, and MV Affordable Housing, LLC, an affiliate of Miller-Valentine Group whose managing member is Brian McGeady and location is at 9349 Water Stone Boulevard, Cincinnati, OH 45249, are applying to the North Carolina Housing Finance Agency (NCHFA) for Low-Income Housing Tax Credits and other NCHFA assistance to construct 96 units of rental housing for families at 4171 Bethania Station Road. The developers are requesting gap financing from the City to ensure feasibility of the project.

An applicant for tax credits proposing to use government gap financing must include a letter of binding commitment from the local government in its full applications to NCHFA, which is due May 12, 2017. NCHFA may fund 0-3 proposals from Forsyth County. It received five pre-applications from Forsyth County.

The development will consist of 18 one-bedroom, 42 two-bedroom, and 36 three-bedroom units. Unit size will be 713 square feet (sf) for the one-bedroom units, 908 sf for the two-bedroom units, and 1,108 sf for the three-bedroom units. Unit amenities include dishwasher, garbage disposal, washer/dryer hookup, walk-in closet, and balcony. The development will have a community room, computer center, covered picnic area, laundry room, exercise room and playground/tot lot. A total of 24 units will be affordable to households earning up to 30% of area median income (AMI) with total housing expense (rent plus basic utilities) ranging from \$329 to \$456 per month. A total of 72 units will be affordable to households earning up to 60% AMI with total housing expense ranging from \$658 to \$912 per month.

Committee Action:

Committee	Finance 4/10/17	Action	Approval
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For	Unanimous	Against	
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Remarks:

North Carolina Housing Foundation has over thirty years of experience with development of rental housing for elderly and special needs populations. MV Affordable Housing, LLC, through the Miller-Valentine Group, has over 20 years of experience with tax credit development. The developers have submitted financial information, which was acceptable. Staff has checked references from state and local government agencies providing funding, which were excellent.

In September 2010, the City and Forsyth County jointly loaned \$1,389,856.88 in Neighborhood Stabilization Program (NSP) funds to the developers to purchase a 25-acre parcel of land with three structures containing 12 housing units already constructed on it. The original owner had planned market rate condominiums, but the project fell through in the housing crisis and recession. The NSP was designed to provide assistance to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. The developers carved out approximately eight acres of the 25-acre parcel and constructed The Enclave at Winston-Salem, 68 units of affordable rental housing for families. The developers now plan to carve out an approximately 7.5-acre parcel for The Enclave II.

Proposed financing for the development consists of a conventional bank first mortgage loan, City funds as a subordinate mortgage, Neighborhood Stabilization Program (NSP) funds Forsyth County Housing and Community Development is requesting from the State Division of Community Assistance (DCA), state Workforce Housing Loan Program (WHLP) deferred loan, and funds derived from the tax credits. The NSP funds are derived from program income (e.g. loan repayments) DCA has received from the grants it made to local governments in the late 2000s, and the funds can only be used for NSP-eligible activities, i.e. foreclosed upon property. The preliminary sources for The Enclave II are summarized as follows:

\$8,791,200	Federal Tax Credit Equity
2,610,000	First Mortgage Bank Loan
400,000	Requested City Mortgage Loan
800,000	NSP
250,000	WHLP funds
<u>344,811</u>	Deferred Developer Fee
13,196,011	TOTAL

As City funds are provided as “gap” financing, the final rate and terms will be backed into upon completion of the financing package, and as determined by the requirements of the NCHFA and the first mortgage loan. It is anticipated that the City’s loan will be an amortizing loan for a minimum loan term of 15 years with the term to start after construction completion. Proposed fund sources are HOME funds and locally derived funds. The proposed loan amount is \$400,000; however, the resolution authorizes up to \$500,000 if NSP funds are less than projected.

The City’s loan will be subordinate to the first mortgage loan and the federal tax credit restrictive covenants. The requirements of the NSP funds have not been determined yet, but indications are it will be deferred and could be forgiven. In addition, there is a lien on the property for the NSP funds from the County and City that were used to purchase the land for the project. That lien

may be subordinated to the City's loan. Therefore, the City's loan could be in second, third or fourth lien position.

The commitment is subject to award of 2017 Low Income Housing Tax Credits by NCHFA, attainment of all other sources of financing, availability of City funds, and completion of construction in compliance with the provisions of the attached Exhibit A to the Resolution. A resolution to approve funding for the project is attached.