

Sylvan Road Partners, LLC

September 25, 2023

Ms. Patrice Toney
City of Winston-Salem
101 N. Main Street
Winston-Salem, NC 27101

Dear Patrice,

As the developer assisting the Peters Creek Community Initiative (PCCI) in redeveloping the former Budget Inn located on the corner of Peters Creek Parkway and Academy Street, I want to express our sincere appreciation to the City of Winston-Salem for being so supportive in every way of this development.

The City has generously committed to financial assistance, and this letter concerns how we can best fulfill that commitment.

As you are aware, \$1 million in HOME funds were allocated to the development as it is 100% dedicated to furnishing high quality affordable housing. As we proceeded through the process of HUD approval of HOME funds for this project, HUD has created a requirement for the funds that is not practical or possible to satisfy. That requirement has to do with an environmental issue that we are not the cause of, but it affects the neighborhood.

Our property is across Academy Street from a site that was formerly a dry cleaner. That was brought to our attention when we conducted a Phase 1 study this past spring. We have also conducted a Phase 2 study and became aware that "vapors" were seeping into our site from the former dry cleaner. We then engaged a licensed engineer to design the appropriate barrier system into our building to ensure that there was no environmental risk to any of our future tenants.

HUD has since asked that we have the North Carolina Department of Environmental Quality (NCDEQ) issue a "conditional no further action" letter and State-approved remediation plan for these dry cleaning vapors.

NCDEQ does not issue such letters. Further, it is most likely that the state would require site access from our street to enter into a program that the state manages specifically designed to remediate dry cleaning sites.

HUD has also suggested that we enroll our site into the brownfields program. That does not address the problem of vapors on our site since we are not the source of the vapors.

Since HUD is asking for something that NCDEQ does not do, we do not own the dry cleaning site and cannot enroll it in the state remediation program, and the brownfields program does not address the source of the problem, we are not going to be able to meet HUD's requirements to release the HOME funds.

Also, all of the actions above would take months or years to achieve. As you are aware, this project received \$12 million in federal Low Income Tax Credits in 2022. Those credits would be rescinded before any of those actions could be completed.

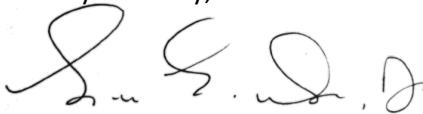
Therefore, we are asking the City if they can replace the \$1 million commitment of HOME funds with other funds that do not have the onerous, and ridiculous, HUD restrictions.

We all would have preferred to know about this earlier. It was impossible to know because we had to do the environmental work, remediation planning, and HUD review for us to learn of HUD's decision.

Again, we all very much appreciate the City's contribution and support of this development. Replacing the HOME funds with another source of funds is the best solution for moving forward. We are happy to meet with anyone, or provide any documentation, needed to assist in making this change.

Please contact me anytime and let me know how we can be of any help from the development team. You can reach me by phone at (336) 409-0994 or email at linwood@sylvanroadpartners.com.

Very sincerely,



Linwood L. Davis, Jr.

cc:

Diane Greer

John Lawson

Kelly Mitter

Eileen Ayouso

Jim Armertrout

Lou Baldwin

Richard Angino