



October 18, 2017

Mr. Ritchie Brooks
Director
City of Winston Salem
Post Office Box 2511
Winston-Salem, North Carolina 27100

Dear Mr. Brooks,

The Finch Group requests the City of Winston Salem to modify its existing second mortgage on Kensington Village to extend its forbearance and subordination period from December 1, 2018 to the termination of a new seven year first mortgage loan that will be placed on the property as of December 1, 2018.

The City of Winston Salem has an outstanding second mortgage loan to Kensington Village in the amount of \$400,000 (the original amount was \$500,000, but \$100,000 was paid in 2011) that is scheduled to commence amortization in December, 2018 over 5 years at 3% interest. In return for the additional forbearance and subordination Kensington Village will make an up-front principal payment of \$100,000 prior to the additional subordination and deferment.

A BRIEF HISTORY

By April, 2005 Forest Ridge Apartments, located off Old Greensboro Road across from the Atkins High School, had deteriorated to the point of ruin. The 150-unit Low Income Housing property, regulated by the US Government, had fallen into such disrepair it had become the blight of the neighborhood. It was emptied out and boarded up.

Today, 12 years later, in place of Forest Ridge, stands Kensington Village, 100% new and improved! From plumbing and lighting, windows and doors, appliances and cabinetry, to other unit amenities such as individually controlled Air Conditioning & Heating as well as Washer/Dryer hook-ups, the property has been completely re-done. Residents can also take advantage of FREE wireless WiFi internet connection that provides each resident with an estimated cost savings of \$40 to \$50 a month! The clubhouse boasts a lounge room with a large screen TV, a business center with computers and printers, a fitness center and a pristine pool with a patio, barbeque, and deck area. There is a state-of-the-art security system and a maintenance staff that is on-call 24/7.

Kensington Village stands as a symbol of the vision and courage of the City Council of the City of Winston-Salem. In the spring of 2005 very few thought the dilapidated vacant eyesore could someday

6111 Broken Sound Pkwy, NW | Suite 150| Boca Raton, FL 33487

Telephone (561)998-0700

Fax (561)999-5557

THE FINCH GROUP

turn into the East Side's preeminent quality, affordable residential rental property. The City of Winston-Salem used a little known "negotiated sale" provision of the National Housing Act that allowed it to circumvent a normal HUD foreclosure sale to the highest bidder and take title to Forest Ridge directly from HUD. At the time, some questioned the City's decision. Today, no one questions it.

The property has been successful as an affordable housing resource and is still subject to various HUD use restrictions which, among other reasons, makes it difficult to place debt on the property. The HUD agreements contain, among others, the following restrictions:

➤ Income Restrictions:

1a) 75% of the units must be rented to families or individuals earning at or below 80% of the area median income, adjusted for family size,

1b) 25% of the units must be rented to families or individuals earning at or below 115% of the area median income, adjusted for family size.

➤ HUD Equity Participation

2a) HUD would retain an Equity Participation (other than a sale as Homeownership) of:

- (a) between the date of this Deed (September 1, 2005) and fifteen years from the date of the Deed, one hundred (100) percent;
- (b) between fifteen years, one day and twenty years from the date of this Deed, seventy-five (75) percent;
- (c) between twenty years, one day and thirty years from the date of this Deed, fifty (50) percent; and over thirty years from the date of this Deed, zero (0) percent (this rider no longer applies).

Since its opening Kensington Village has met, and continues to meet, all of its commitments to HUD as well as the requirement by the City Council that we maintain the property as stipulated by HUD for a minimum of 10 years (from September 1, 2005). Today, Kensington Village maintains full occupancy and, as of October, 2017, is 96% occupied and almost 98% leased.

Thank you for your consideration in supporting our request to extend the subordination and deferment period.

Sincerely,

Wesley E Finch

Wesley E. Finch
Chairman