

City Council – Action Request Form

Date: February 11, 2019

To: The City Manager

From: Marla Y. Newman, Director, Community Development

Council Action Requested:

Approval of a project budget ordinance, including additional funds, for rehabilitation of 108 units of rental housing for families, known as Southgate Apartments.

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Yes

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

On April 16, 2018, the Mayor and City Council approved a resolution authorizing permanent financing in the amount of \$395,815 in HOME Investment Partnership (HOME) funds for a 108-unit multifamily rental development located at 980 East Second Street known as Southgate Apartments, subject to the award of 2018 Low Income Housing Tax Credits by the North Carolina Housing Finance Agency (NCHFA). The Tax Credits were awarded in August 2018. However, NCHFA is requiring the owner, Beacon Management, to upgrade the heating, ventilating and air conditioning (HVAC) system, and the owner is requesting additional funds of \$150,000 to assist with the added cost. The purpose of this item is to approve the additional funds and a project budget ordinance for the project.

Committee Action:

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| Committee | <u>Finance 2/11/19</u> | Action | <u>Approval</u> |
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| For | <u>Unanimous</u> | Against | <u></u> |
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Remarks:

The additional cost to upgrade the HVAC will increase the total project cost from \$13,015,764 to \$13,368,463. The financing for the development consists of a conventional bank first mortgage loan, a Rental Production Program loan from NCHFA, City funds as a third subordinate mortgage, a Workforce Housing Loan Program loan from NCHFA, funds derived from the tax credits, and deferred developer fee. NCHFA also requires that all loans and any restrictive covenants be subordinate to the restrictive covenants of the Tax Credit Program. The sources, as approved by NCHFA, are summarized as follows:

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|----------------|-------------------------------------|
| \$8,993,899 | Federal Tax Credit Equity |
| 2,398,800 | First Mortgage Bank Loan |
| 800,000 | Rental Production Program Loan |
| 545,815 | Requested City Mortgage Loan |
| 250,000 | Workforce Housing Loan Program Loan |
| <u>379,949</u> | Deferred Developer Fee |
| \$13,368,463 | TOTAL |

The proposed development will consist of 34 one-bedroom, 51 two-bedroom, and 23 three-bedroom units and serve families with incomes below 60% of area median income. Forty-nine of the units will be targeted to households with incomes below 50% of area median income, and 59 units to households between 50% and 60% area median income. The development receives property based rental assistance in the form of Section 8 payments from the U.S. Department of Housing and Urban Development (HUD), which allows all residents to keep their housing and utility costs at 30% of their household income.

The attached project budget ordinance appropriates \$150,000 in 2018 General Obligation Bonds for housing in the East Ward. In addition, the amount of FY 2018-19 program income generated year-to-date from the City's HOME Investment Partnership (HOME) funds exceeded budgeted estimates by \$96,842.08. The attached PBO appropriates the additional program income from HOME funds for Southgate Apartments. HOME funds of \$145,670 are currently in place for this project. The attached project budget ordinance will transfer \$153,300 in HOME funds in addition to the \$96,850 in program income for a total of \$395,820 for the project.