

City Council – Action Request Form

Date: May 9, 2022

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Patrice Toney, Assistant City Manager
Marla Y. Newman, Community Development Director

Council Action Requested:
Resolution Authorizing Permanent Financing for a 62-Unit Family Rental Development Known as The Flats at Peters Creek (Southwest Ward)

Strategic Focus Area: Livable Neighborhoods
Strategic Objective: No
Strategic Plan Action Item: No
Key Work Item: No



Summary of Information:
 Shelter Investments Development Corporation, whose managing member is Edward “Ned” Fowler and address is P.O. Box 1673, Boone, NC 28607; Sylvan Road Partners, LLC, whose managing member is Linwood Davis, Jr. and location is 812 Sylvan Road, Winston-Salem, NC 27104; and The Shalom Project, Inc., located at 639 South Green Street, Winston-Salem, NC 27101, are applying to the North Carolina Housing Finance Agency (NCHFA) for Low-Income Housing Tax Credits (Tax Credits) to develop 62 units of rental housing for families at 600 Peters Creek Parkway, to be known as The Flats at Peters Creek. This is the site of the former Budget Inn.

An applicant for Tax Credits proposing to use government gap financing must include a letter of binding commitment from the local government in its application to NCHFA, which is due May 13, 2022. Award of Tax Credits is very competitive, and NCHFA may fund zero, one, or more than one proposal from Forsyth County.

Linwood Davis informed the Finance Committee at its May 9, 2022 meeting that the developers had decided to reduce the number of units from 72 to 62 due to rising construction and financing costs.

Committee Action:

Committee	Finance 5/9/22	Action	Approval
	Unanimous	Against	

Remarks:

As a result, the proposed development will consist of 62 units, including 18 one-bedroom and 44 two-bedroom units. Units will be targeted as follows:

<30%	31-60%	Total Units
16	46	62

Community amenities include a playground, fitness center and computer room. Unit amenities include range, range hood with range queen fire suppresser, dishwasher, frost free refrigerator, central cooling/heating, storage, and washer/dryer hookups. Ten percent of the units will be ADA units with half of them having roll-in showers. Rents will range from \$332-721 per month for a one-bedroom unit and \$298-864 per month for a two-bedroom unit.

Ned Fowler has over 35 years of experience developing affordable rental housing, mostly in northwest North Carolina. Linwood Davis has 14 years of experience developing subdivisions and multifamily housing, first with Landmark Group and then founding Sylvan Road Partners. The City provided financing for his most recent development, Essex Place, which is on Kester Mill Road. The Peters Creek Community Initiative (PCCI) is a community development effort of The Shalom Project to improve the residential and commercial environment along Peters Creek Parkway between Downtown and Silas Creek Parkway to benefit the residents who live along the parkway.

PCCI Land, Inc., an entity of The Shalom Project, purchased the Budget Inn in May 2019. The City provided a \$600,000 grant toward the purchase and recorded a Declaration of Restrictive Covenants and Conditions requiring the owner to construct affordable housing to low- and moderate-income households within four years of the date of the Declaration, which would be May 8, 2023, and to provide the affordable housing for 50 years. Forsyth County loaned PCCI, Inc. \$600,000 toward the purchase, which is secured by a deed of trust on the property requiring the property to be used exclusively for affordable housing for 50 years. The Forsyth County loan will be repaid as part of the development budget. PCCI Land, Inc. will lease the property to the ownership entity of the rental units.

The total development cost has decreased from \$15,128,007 as originally presented to \$13,790,433. Proposed financing for the development consists of a bank first mortgage loan, the City HOME funds in a subordinate lien position, and funds derived from the tax credits. The preliminary sources are summarized as follows:

First Mortgage	2,471,544
Tax Credit Equity	9,959,004
Requested City Subordinate Mortgage	500,000
<u>Deferred Developer Fee</u>	<u>859,885</u>
TOTAL DEVELOPMENT SOURCES	13,790,433

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 NCHFA and the first mortgage loan. The City’s restrictive covenants for the HOME funds and the acquisition

grant will be subordinate to the NCHFA restrictive covenants for the Tax Credits and possibly other funding sources, if any.

A resolution to provide a \$500,000 subordinate mortgage loan in HOME funds is presented for consideration. The commitment is subject to attainment of 2022 Low Income Housing Tax Credits by NCHFA, 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.

The Declaration of Restrictive Covenants and Conditions designates the total number of units, number of units leased to households at or below 30% and at or below 60% of area median income, the deadline to complete construction, and the end of the affordability period. Lack of success securing an award of Tax Credits in previous rounds and now the increase in construction and financing costs and continuing supply chain issues have delayed completion of the development. Therefore, the resolution also amends the Declaration of Restrictive Covenants and Conditions and any accompanying agreements as follows:

- The development will consist of at least 62 dwelling units;
- The development will consist of at least 16 units affordable to households at or below 30% of the area median income and the remaining 46 units to households at or below 60% of area median income;
- Construction shall be complete and ready for occupancy within six years of the execution of the Declaration (May 8, 2025);
- The 50-year affordability period shall terminate on May 8, 2071.