

City Council – Action Request Form

Date: November 9, 2020

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

From: Evan Raleigh, Assistant City Manager

Council Action Requested:

Resolution Authorizing Financial Assistance for Proposed Multi-Family Housing Development at Whitaker Park

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Expand Housing Assistance Programs

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

City staff has been approached by C.A. Harrison Cos. LLC (CAH) with a request to provide gap financing to support the development of the Whitaker Park Lofts, a 163-unit multi-family housing project in the historic former R.J Reynolds Tobacco Co. buildings located in the Whitaker Park complex. A map showing the location of the proposed development is attached to this item.

The development will consist of 82 one-bedroom units, 60 two-bedroom units, and 21 three-bedroom units. Unit sizes will range from 595 to 1,283 square feet for the one-bedroom units, 1,035 to 1,848 square feet for the two-bedroom units, and 1,196 to 1,593 square feet for the three-bedroom units. Market rate rents will range from \$1,200 for the smallest one-bedroom units to \$2,100 per month for the largest three-bedroom unit. Staff discussed with the developer the Mayor and City Council’s desire to expand workforce housing opportunities throughout the City and, as a result, the developer has committed to set aside a minimum of 10% of the 163 units (16 units) as workforce housing units for households earning between 80% and 120% of the area median household income for a 15-year period. Specifically, 5% of the total units will

Committee Action:

Committee	Finance 11/9/2020 CDHGG 11/10/2020	Action	Approval
For	Unanimous	Against	

Remarks:

serve households earning 80% of the area median income and 5% of the total units will serve households earning 120% of the area median income as required by the City’s workforce housing guidelines. The mix of set aside units will include eight one-bedroom units renting for \$950 per month and eight two-bedroom units renting for \$1,250 per month. These affordability restrictions on the units will be recorded as a deed restriction on the property to ensure compliance.

CAH was founded in 1999 in Bethesda, MD and is led by Chris Harrison. Since its founding, CAH has focused on creating affordable living opportunities for segments of the population that have been priced out of metropolitan areas. CAH has placed a special emphasis on revitalizing transitional neighborhoods to create affordable rental housing opportunities for long-term city residents in gentrifying metropolitan areas. CAH specializes in adaptive reuse and, when possible, acquires neglected buildings and repurposes them for multi-family housing. CAH has led the development of numerous projects in cities throughout the southeast including Richmond, VA and Washington, DC with one previous local example in the 243-unit, Plant 64 apartment complex in downtown Winston-Salem.

The Whitaker Park Loft project represents the first of several phases of development CAH plans for the Whitaker Park complex. The projected total cost of the initial phase is approximately \$41.5 million, and funding sources consist of bank financing, developer equity, and historic tax credit equity. Proposed future phases of development include 25,000 of retail space, a 125-room hotel and another 150 residential units. It is anticipated that the overall project cost at full build-out will be between \$80 and \$100 million with completion slated for 2024.

The developer has indicated that the current size of the gap on the project is approximately \$1.85 million of which the developer is seeking City assistance in the amount of \$1 million, half in the form of a loan with the remainder of the assistance in the form of a grant. The previous iteration of the project had a gap exceeding \$3 million and set aside 20% of the total number of units for households earning 60% of the area median income. As previously noted, the developer has restructured the project such that a total of 10% of the units serve households earning between 80% and 120% of the area median income. This adjustment to the proposed unit mix along with the developer increasing the amount of owner equity in the project and securing additional permanent loan financing has reduced the gap to the current level.

The projected total project cost is approximately \$42 million and funding sources would consist of a permanent loan, owner equity, historic tax credit equity, and the requested City contribution of \$1,000,000, as outlined below:

Permanent Loan	\$24,000,000
Historic Tax Credit Equity	9,484,922
Developer Equity	2,600,000
Deferred Development Fee	4,449,485
City Loan	500,000
City Grant	500,000
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Total	\$42,387,609

Should the Mayor and City Council wish to provide the requested level of financial assistance to this project, staff recommends using \$500,000 of Housing Development bond funds and \$500,000 of unencumbered funds in the Housing Finance Assistance Fund. Staff recommends that the Housing Development bond funds be issued in the form of a loan at 2% interest and amortized over a 20-year period. The City's loan would be subordinate to the construction loan. If the item is approved, staff requests the flexibility to substitute the funds granted from the Housing Finance Assistance Fund for federal housing funds. The project is currently undergoing the environmental review process and, should it be determined that the project qualifies for use of federal funds, staff request the ability to substitute these funds for the funds coming from the Housing Finance Assistance Fund.