

City Council – Action Request Form

Date: February 12, 2024

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

From: Patrice Toney, Assistant City Manager
Shantell McClam, Neighborhood Services Director
Tanya Skillman, Assistant Housing Development Director

Council Action Requested:

Resolution Authorizing Funding for Rehabilitation of Salem Garden Apartments

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Expand Housing Assistance Programs

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

Salem Garden Apartments consists of 150 rental units located at 7 Salem Gardens Drive and is in need of rehabilitation. Orbach Affordable Housing Solutions, LLC (“Developer”), whose president is Jay Reinhard and location is 980 Sylvan Avenue, Englewood Cliffs, NJ 07632, has been awarded 2023 Low-Income Housing Tax Credits by the North Carolina Housing Finance Agency (NCHFA) to purchase and rehabilitate the property to continue its use as affordable housing for families. On October 16, 2023, the Mayor and City Council approved the proposed issuance by the Housing Authority of the City of Winston-Salem of its multifamily housing revenue bonds in an amount not to exceed \$20,000,000 to finance, in part, the costs of the project. The Developer is requesting \$3,000,000 from the City to fill a gap in the project financing.

The development consists of 40 one-bedroom, 64 two-bedroom, 32 three-bedroom, and 14 four-bedroom units and serves families with incomes below 60% of 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.

Committee Action:

Committee	CD/H/GG – 2/12/24: FC- 2/13/24	Action	Approval
For	Unanimous	Against	
Remarks:			

Salem Gardens Apartments was built in 1980 and received rehabilitation 15 years ago. The major work consists of replacement of roofs, vinyl siding, windows and doors; repair of brick facade; replacement of major systems, including HVAC and electrical panel; replacement of kitchens, bathrooms, and flooring; removal of popcorn ceiling and repainting of units; bringing eight units into ADA compliance; repair of parking and drive areas and sidewalks; and replace playground equipment. Work will also address security. The construction cost is projected to be approximately \$67,450 per unit.

The property will be purchased by a new ownership entity, of which the primary organization is Orbach Affordable Housing Solutions, LLC. Mr. Reinhard has over 20 years of affordable housing experience as a developer procuring and financing low-income housing projects, primarily using tax-exempt debt and 4% as-of-right Low-Income Housing Tax Credits. He has operated in multiple states and municipalities, including, but not limited to, New York, New Jersey, Pennsylvania, Florida, and California.

Proposed financing for the development consists of a conventional bank first mortgage loan made from the proceeds of the multifamily revenue bonds issued by HAWS, City funds as a subordinate mortgage, loans from the seller and general partner, and funds derived from the tax credits. The preliminary sources are summarized as follows:

\$13,818,819	Federal Tax Credit Equity
13,977,000	First Mortgage Bank Loan/Revenue Bonds
2,000,000	Seller's Note
3,000,000	Requested City Mortgage Loan(s)
2,175,000	Deferred Developer Fee
271,241	Interim Income
<u>3,336,724</u>	General Partner Note
\$38,578,784	TOTAL

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.

A resolution to provide a \$3,000,000 subordinate mortgage loan(s) for Salem Gardens Apartments is presented for consideration. The proposed fund sources are \$2,000,000 in HOME Investment Partnership (HOME) funds and \$1,000,000 in 2018 General Obligation Bonds for the East Ward. The commitment is subject to attainment of 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 funds are already budgeted in the HOME Investment Partnership fund and the capital projects fund. The project must comply with the City's Housing Justice Act.