

City Council – Action Request Form

Date: May 20, 2019

To: The City Manager

From: Marla Y. Newman, Community Development Director

Council Action Requested:

Modification of two loans to Y-Stair Apartments, LLC (North Ward)

Strategic Focus Area: Livable Neighborhoods
Strategic Objective: Expand Housing Assistance Programs
Strategic Plan Action Item: No
Key Work Item: No



Summary of Information:

The City entered into a loan agreement with Y-Stair Apartments, LLC in 2009 to provide financing for the acquisition and rehab of four buildings in the 1400 and 1600 blocks of North Cherry Street as 13 units of rental housing. The financing is structured as an acquisition loan and a rehabilitation loan. The acquisition loan of \$87,500 is a 20-year amortizing loan bearing interest at 1% per annum, and the rehabilitation loan of \$782,044 is a 35-year amortizing loan bearing interest a 1% per annum. The development was occupied in 2010.

Although considerable improvements to the area have been made, the owner, DeWayne (Dewey) Anderson, Jr., has been unable to date to charge the originally projected rents. Original rents were projected at \$525 for a one-bedroom and \$625 for a two-bedroom, while current rents are \$450 and \$575, respectively. On February 18, 2015, the monthly payment for the acquisition loan was changed to \$135 and for the rehabilitation loan to \$1,250 beginning January 2015 and continue for 36 months, which has expired. Currently, the property is 100% occupied with quality tenants. The owner is current on the loans. The combined loan balance is \$784,620, and the combined tax value is \$272,700.

Committee Action:

Committee	Finance 5/20/19 CDHGG 5/21/19	Action	Approval
For	Unanimous	Against	
Remarks:			

Mr. Anderson has requested that the City of Winston-Salem permanently modify both loans as follows:

- Continue payments at the reduced level;
- Allow the sale of the property to a third party at appraised value or market value, whichever is higher; and
- Write down the difference between the sales price (less transaction costs) and the outstanding loan principal upon sale.

Approval of these modifications would allow the property to sustainably operate going forward and the owner to sell the property in the future. Staff supports the request. A resolution is attached.