

City Council – Action Request Form

Date: February 14, 2023

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 developing 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.

In May 2022, the Mayor and City Council authorized up to \$500,000 in HOME Investment Partnership (HOME) funds for the project. In October 2022, the North Carolina Housing Finance Agency (NCHFA) awarded Low Income Housing Tax Credits (Tax Credits) to the project. Due to increases in construction costs and rising interest rates, the project faces a financing gap of approximately \$2,670,000, which the developer is requesting the City’s assistance to address. The City’s total commitment to the project would be \$3,170,000.

Committee Action:

Committee	Finance 2.14.23	Action	Approval
For	Unanimous	Against	

Remarks:

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. The May 2022 resolution amended the Declaration of Restrictions to reflect the current number and mix of units and to extend the deadline for construction to be completed until May 8, 2025. 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.

Proposed financing for the development consists of a bank first mortgage loan, City HOME funds in a subordinate lien position, a State and Local Fiscal Recovery Funds (SLFRF) grant, and funds derived from the Tax Credits. The preliminary sources are summarized as follows:

First Mortgage	1,634,903
Tax Credit Equity	9,599,040
Approved City Subordinate Loan	500,000
HOME/State and Local Fiscal Recovery Funds	2,670,000
Deferred Developer Fee	87,178
TOTAL DEVELOPMENT SOURCES	14,491,121

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, SLFRF,

and the first mortgage loan. The City's restrictive covenants for the HOME funds, SLFRF, and the acquisition grant will be subordinate to the NCHFA restrictive covenants for the Tax Credits and possibly other funding sources, if any.

Proposed fund sources are an additional \$500,000 subordinate loan in HOME funds and a \$2,170,000 grant in State and Local Fiscal Recovery Funds. An appropriate resolution and project budget ordinance are presented for consideration. The commitment is subject to attainment of all other sources of financing, availability of City funds, and compliance with all provisions of the May 2022 resolution.