

## City Council – Action Request Form

**Date:** March 28, 2018

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**To:** The City Manager

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**From:** Marla Y. Newman, Director, Community Development

**Council Action Requested:**

Authorization of a permanent financing commitment of up to \$395,815 for development of 108 units of affordable housing, known as Southgate Apartments (East Ward).

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



**Summary of Information:**

Beacon Management Corporation, whose president is George E. Carr III and location is 408 Battleground Avenue, Greensboro, NC 27401, is applying to the North Carolina Housing Finance Agency (NCHFA) for Low-Income Housing Tax Credits and other NCHFA assistance to rehabilitate 108 units of rental housing for families at 980 East Second Street, known as Southgate Apartments.

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 11, 2018. Award of tax credits is very competitive, and NCHFA may fund zero, one, or more than one proposal from Forsyth County. It received six pre-applications from Forsyth County. Only Beacon Management Corporation is requesting funding from the City to support its application.

**Committee Action:**

<b>Committee</b>	Finance 4/9/18 CD/H/GG 4/10/18*	<b>Action</b>	Approved
<b>For</b>	Unanimous	<b>Against</b>	

**Remarks:**

\*CD/H/GG Committee forwarded this item with this to Council with Council Members Adams, Besse and Clark in favor, with Council Member Montgomery excused from voting.

The proposed development will consist of 34 one-bedroom, 51 two-bedroom, and 23 three-bedroom units and serve families with incomes below 60% of area median income. Forty-nine of the units will be targeted to households with incomes below 50% of area median income, and 59 units to households between 50% and 60% 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.

Southgate Apartments was built in 1980 and has been well maintained, but after 35 years it needs rehabilitation. The major work consists of replacement of vinyl siding and roof shingles; repair of cracked masonry and brick veneer; repair and replacement of major systems, including HVAC and plumbing; replacement of kitchen sinks, countertops and cabinets; replacement of bathroom lavatories and stained and damaged toilet fixtures; encapsulate asbestos found in flooring; reseal and repave parking lots; and replace playground equipment. Work will also address energy conservation. The construction cost is projected to be approximately \$54,000 per unit.

The property will be transferred to a new ownership entity, of which the primary organization is Beacon Management Corporation. Mr. Carr has 40 years of experience in the development and management of affordable multi-family housing. Beacon Management has developed and managed Summit Square Apartments and managed Griffin Commons and Hunt Park Apartments. The owner has submitted financial information, which staff is reviewing. Staff will obtain a credit report and bank verifications of the principals.

Proposed financing for the development consists of a conventional bank first mortgage loan, a Rental Production Program loan from NCHFA, City funds as a third subordinate mortgage, a Workforce Housing Loan Program loan from NCHFA, and funds derived from the tax credits. The preliminary sources are summarized as follows:

\$8,896,449	Federal Tax Credit Equity
2,673,500	First Mortgage Bank Loan
800,000	Rental Production Program Loan
395,815	Requested City Mortgage Loan
<u>\$250,000</u>	Workforce Housing Loan Program Loan
\$13,015,764	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 \$395,815 subordinate mortgage loan for Southgate Apartments is presented for consideration. The proposed fund source is HOME funds. The commitment is subject to award of 2018 Low Income Housing Tax Credits by NCHFA, 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.