

## City Council – Action Request Form

**Date:** November 1, 2017

**To:** The City Manager

**From:** D. Ritchie Brooks, Community Development Director

**Council Action Requested:**

1) Reject an Offer to Purchase Plaza Apartments submitted by Lordson Capital, LLC (LCLLC),  
2) provide a Letter of Intent to the Boston-Thurmond Innovation Network (BTIN) to transfer title to the Plaza Apartments to BTIN Plaza, LLC, no later than June 2019 under terms to be negotiated by the City and BTIN, and 3) Authorize continued deferral of loan repayment. (North Ward)

**Strategic Focus Area:** Livable Neighborhoods

**Strategic Objective:** Improve Character and Condition of Neighborhoods

**Strategic Plan Action Item:** No

**Key Work Item:** No



**Summary of Information:**

Plaza Apartments, located at the intersection of Northwest Blvd. and Thurmond St., was acquired by the Housing Authority of Winston-Salem (HAWS) in 1995 as part of a City effort to assure conservation of “affordable” rental property as expiring rental subsidies and changes in tax law were resulting in rental properties being sold at “bargain” prices. The City used Certificates of Participation (COPS) to finance the acquisition. In addition, the City also provided financing to HAWS to rehabilitate the property in three phases from 1995 to 2003, totaling \$2,737,473. One phase, in 1997, involved HAWS transferring title of Plaza Apartments to the City and the City leasing the property to HAWS. HAWS’ lease payments covered the City’s debt service payment on the COPS, and the lease provided that once the COPS were paid off the City would transfer title of the property to HAWS. The COPS were paid off in June 2016. Payment on the rehab loans has been suspended since 2005, prior to the start of amortization, and no payments have been made.

The City has received two proposals to acquire the Plaza Apartments property. The attached resolution authorizes rejection of one, entering a letter of intent to pursue the other one, and continuing deferral of loan payments.

**Committee Action:**

**Committee**

**Action**

**For**

**Against**

**Remarks:**

### Lordson Capital, LLC (LCLLC)

In September 2017, the City received an offer to purchase Plaza Apartments, located at the intersection of Northwest Blvd and Thurmond St., from Lordson Capital, LLC (LCLLC), 380-H Knollwood St, WS, NC 27103, for \$1,000,000. LCLLC intends to rehabilitate the complex and continue to operate it as housing for low- and moderate-income individuals and families. The investment objective of LCLLC, along with the parties it invests with, is to target long-term capital appreciation and income generation from investment in Section 8 housing properties and other multi-family residential properties. Its social objective is to partner with individuals and organizations that build community amongst the residents within the properties owned to create improved resident satisfaction, retention, and changed lives.

LCLLC anticipates the initial capital investment in property improvements to be \$500,000 over the first three years. Its expectation is that roofing, paving, and water heaters will be replaced and that apartment units will be repaired and remodeled – dependent on need – with an initial first-year budget commitment of \$200,000. The second- and third-year outlays for the improvements will be \$150,000 each year. LCLLC has secured institutional funding through a strategic partnering with Clearinghouse Community Development Financial Institution, located in Lake Forest, California. The work will be prioritized based on need and current condition as follows:

- Replacement of roofs over a three-year period based on assessed condition.
- Replacement of all water heaters (over first three years)
- Paving of driveways and parking lots in the summer of 2019
- Raising the condition of all units to a new base standard including quality cabinets, flooring/carpeting, paint, blinds, and refinishing tubs/sinks/tile.

LCLLC expects to complete improvements on roughly 26 units each year. Its also plans to begin work in all vacant units, then move existing tenants to the refurbished vacant units as they are completed. Its will then focus on the next set of units that were just vacated until all units are remodeled over the three-year period.

LCLLC also shared that its committed on a local level to changing the current state of low-income and affordable housing properties. Its IMPACT Model delivers measurable outcomes by focusing on five transformational themes:

- 1) Community development among residents through a spirit of hospitality
- 2) Combating the cycle of poverty with the emerging generation through a variety of mentoring programs
- 3) Delivering life skills and holistic discipleship programs
- 4) Providing job training and employment opportunities
- 5) Placing special focus on underserved children and youth with an emphasis on nutrition and afterschool tutoring programs.

The IMPACT Model will be delivered through a full-time onsite IMPACT life coach in partnership with its property management firm, 180 Cares (<http://www.180cares.com/>), and its plans to commit 20% of its net cash flow to support the work. It has also committed to continue to rent the property in the affordable range in line with HUD's Fair Market Rent (FMR)

Documentation System for the Winston-Salem HUD Metro FMR Area. The projected average monthly rents are \$500 for studio units, \$585 for 1-bedroom units, and \$680 for 2-bedroom units.

### Boston-Thurmond Innovation Network

Soon after receiving the above offer, the City was contacted by Sylvia Oberle, Executive Director, Boston-Thurmond Innovation Network, with a request for the City to work with a new initiative in the Boston-Thurmond neighborhood, which is a comprehensive revitalization strategy that addresses Mixed Income Housing, Cradle-to-College Education, and Community Wellness. The Boston-Thurmond proposal is under consideration to become a part of the Purpose Built Communities (PBC) Network, and one of the components of the PBC Network is “mixed income housing.” The newly formed Boston-Thurmond Innovation Network is interested in obtaining title to Plaza Apartments, demolishing the complex, and building new single-family owner-occupied housing and multi-family rental units as part of their overall revitalization initiative. Per the organization, a mixed income housing strategy will ensure children and families from all income levels have access to high quality housing, great schools and other neighborhood amenities. The strategy proposes to do the following:

- Commit to developing mixed income, high quality rental and housing options, along with a variety of amenities for all residents.
- Identify and select a development partner with an established reputation for high-quality, mixed income housing.
- Establish mixed income housing guidelines to ensure the majority of housing serves families and children.
  - 20-40% of family-serving apartment homes are market rate (i.e. no cap on rent or income)
  - Ensure the remainder of family-serving apartment homes (i.e., non-market units) are restricted to serve a range of low-income families (0-80% AMI)
  - Senior and/or disabled resident units may be restricted to serve low-income families, but should be approximately 25% of the mix.

The attached letter from Ms. Oberle outlines their request to the City, which is:

“As part of the city’s commitment to the significant revitalization effort that is proposed for the Boston-Thurmond neighborhood, it is requested that action be taken by the City Council to begin the transfer of title and site control of Plaza Apartments to the BTIN Plaza LLC, which is in the process of being established for this purpose. The request is for a letter of intent to be executed by January 31, 2018 for transfer of the title by no later than June 2019 under terms to be negotiated between the City and BTIN Plaza, LLC.”

By the end of March 2018, a more detailed plan for all components of the Boston-Thurmond revitalization plan, developed with significant input from residents and key community partners, would be submitted to the City for review and comment. The housing redevelopment would be phased in over a five-year period.

The attached resolution rejects the offer to purchase from Lordson Capital, LLC and authorizes the City entering into a letter of intent with Boston-Thurmond Innovation Network for the transfer of Plaza Apartments. Separate City Council action will be required for actual transfer of the property, disposition of the City rehab loans, and any other matters that arise as a result of the negotiations between the City and BTIN Plaza, LLC.