

Information Item

Date: January 10, 2023

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

From: Patrice Toney, Assistant City Manager
Marla Y. Newman, Community Development Director

Subject: Presentation on The Flats at Peters Creek, a 62-unit affordable housing development seeking gap funding of \$2.15 million.

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Yes

Strategic Plan Action Item: Yes

Key Work Item: Yes



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.

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 community space, exercise room, computer center, laundry room, covered picnic area, and outdoor seating area. 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. 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, the City HOME funds in a subordinate lien position, funds available through ARPA revenue replacement in a subordinate lien position, and funds derived from the Tax Credits. In May 2022, the Mayor and City Council approved a \$500,000 subordinate loan of HOME funds as gap financing for the project. In October 2022, the North Carolina Housing Finance Agency (NCHFA) awarded Low Income Housing Tax Credits (Tax Credits) to the project. Even with these investments, a permanent mortgage of \$1,818,024 and a deferred developer fee, the project has a gap of \$2.15 million. The preliminary sources are summarized as follows:

First Mortgage	1,818,024
Tax Credit Equity	9,599,040
City HOME Subordinate Mortgage	500,000
City ARPA Revenue Replacement	2,150,000
<u>Deferred Developer Fee</u>	<u>426,281</u>
TOTAL DEVELOPMENT SOURCES	14,493,351

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. The City’s restrictive covenants for the HOME funds, funds available through ARPA revenue replacement, and the acquisition grant will be subordinate to the NCHFA restrictive covenants for the Tax Credits and possibly other funding sources, if any.