

City Council – Action Request Form

Date: October 10, 2022

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 60-Unit family Rental Development Known As Pegram Landing II

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: No

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

South Creek Development, LLC, whose managing partner is Charlie Heritage and location is PO Box 543 Summerfield, NC 27358, was awarded 2020 Low-Income Housing Tax Credits (Tax Credits) by the North Carolina Housing Finance Agency (NCHFA) to develop 60 units of rental housing for families at 6550 Pegram Farm Road in Lewisville, to be known as Pegram Landing II.

Financing has not closed and construction has not started on the project. The Developer has experienced a significant increase in construction costs since May 2021 and therefore a significant gap in funding. The Developer applied for American Rescue Plan Act (ARPA) funds from Forsyth County in Fall 2021 but was denied. The project is eligible for HOME Investment Partnership (HOME) funds through the Winston-Salem/Forsyth County HOME Consortium (Consortium). Winston-Salem, as the area Participating Jurisdiction, is the Consortium’s conduit and only source of HOME funds for Forsyth County. As of August 31, 2022, the Consortium has approximately \$5 million available for investment in eligible projects. In August 2022, NCHFA awarded Covid gap funding for the project, and the Developer is ready to move forward with HOME funds.

Committee Action:

Committee	Finance 10/10/22	Action	Approval
For	Unanimous	Against	

Remarks:

The proposed development will consist of 60 units, including nine one-bedroom, 30 two-bedroom, and 21 three-bedroom units. Units will be targeted as follows:

<30%	31-50%	51-60%	61-70%	Total Units
15	9	11	25	60

Community amenities include a community building with kitchen facilities, a craft area, exercise room, and a multipurpose room. There will also be a covered gazebo, picnic area, playground, and sitting areas. Unit amenities include range, dishwasher, refrigerator, central cooling/heating, storage, and washer/dryer hookups. Rents will range from \$378-955 per month for a one-bedroom unit, \$450-1,143 per month for a two-bedroom unit, and \$519-1,320 for a three-bedroom unit.

Charlie Heritage has over 15 years of experience constructing and developing affordable rental housing, mostly in Georgia and the Carolinas. He successfully developed Phase 1 of Pegram Landing, which sits adjacent to the Phase II site and was completed in July 2020 and leased up completely within two months of opening.

Proposed financing for the development consists of a bank first mortgage loan, the City HOME funds in a subordinate lien position, a Workforce Housing Loan Program loan and Workforce Housing CV Loan Program loan from NCHFA, funds derived from the tax credits, and deferred developer fee. The preliminary sources are summarized as follows:

\$6,451,955	Federal Tax Credit Equity
\$4,350,000	First Mortgage Bank Loan
\$500,000	Requested City HOME Funds Loan
\$250,000	Workforce Housing Loan Program Loan
\$3,210,400	Workforce Housing CV Loan Program Loan
<u>\$729,079</u>	Deferred Developer Fee
\$15,491,434	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. The City’s restrictive covenants for the HOME funds will be subordinate to the NCHFA restrictive covenants for the Tax Credits and possibly other funding sources, if any.

A resolution to provide a \$500,000 subordinate mortgage loan in HOME funds is presented for consideration. The commitment is subject to 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.