City Council – Action Request Form

Date: October 18, 2017

To: The City Manager

From: D. Ritchie Brooks, Community Development Director

Council Action Requested:

Authorize subordination of a loan to TFG-Forest Ridge Company, LLC for rehabilitation of Kensington Village (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:

In 2005, the City of Winston-Salem acquired Kensington Village based on a foreclosure action by the U.S. Department of Housing and Urban Development (HUD) and transferred title to the property to TFG-Forest Ridge Company, LLC (Owner) under a development agreement by which the Owner would rehabilitate the 142-unit rental property. Funding consisted of a \$4.8 million loan from Citibank, a \$249,583 loan from the City, a \$3,306,417 HUD Up-Front Grant from the City, a \$500,000 loan from the City and, based upon a HUD required actual cost analysis, \$549,280 in an equity contribution. Rehabilitation was completed in July 2009. In November 2010, the \$249,583 City loan converted to a contribution to capital, as agreed.

Monthly payments on the \$500,000 City loan were due to begin on October 1, 2014 at three percent interest per year for five years. However, due to conditions in the financial markets in 2011, Citibank decided to restructure its first mortgage on the property. As part of the restructuring, the City agreed in August 2011 to subordinate its second loan to the new first mortgage and to defer the start of payment on the City loan until the end of the new Citibank loan, which is December 1, 2018. The Owner also made a \$100,000 up-front principal payment, reducing the loan balance to \$400,000.

Committee Action:			
Committee	Finance 11/13/17	Action	Approval
For	Unanimous	Against	
Remarks:			

The Owner intends to refinance the first mortgage loan when the existing loan ends on December 1, 2018 and has requested a further subordination and deferment of the start of payment on the City loan until the end of the new first mortgage loan. Repayment of the City loan would remain at three percent interest per year for five years. Although the terms of the new first mortgage loan have not been determined, it is anticipated to have a seven-year term. The Owner has agreed to make an up-front principal payment of \$100,000 prior to the additional subordination and deferment, reducing the principal to \$300,000.

A resolution approving further subordination and deferment of the start of payment and a copy of the Owner's request are attached.