City Council – Action Request Form

Date: April 16, 2018

To: The City Manager

From: Marla Y. Newman, Director, Community Development

Council Action Requested:

Approval of a project budget ordinance for development of 96 units of rental housing for families, to be known as Enclave II.

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Yes

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

On April 17, 2017, the Mayor and City Council approved a resolution authorizing permanent financing in the amount of \$400,000 and up to \$500,000 for a 96-unit family rental development located at 4171 Bethania Station Road to be known as Enclave II, subject to the award of 2017 Low Income Housing Tax Credits by the North Carolina Housing Finance Agency (NCHFA). The Tax Credits were awarded in August 2017. The purpose of this item is to approve a project budget ordinance and to provide an update on the project.

The development will consist of 18 one-bedroom, 42 two-bedroom, and 36 three-bedroom units. Unit size will be 713 square feet (sf) for the one-bedroom units, 908 sf for the two-bedroom units, and 1,108 sf for the three-bedroom units. Unit amenities include dishwasher, garbage disposal, washer/dryer hookup, and walk-in closet. The development will have a community room, computer center, picnic area, laundry room, exercise room and playground. A total of 24 units will be affordable to households earning up to 30% of area median income (AMI) with total housing expense (rent plus basic utilities) ranging from \$285 to \$391 per month. A total of 72 units will be affordable to households earning up to 60% AMI with total housing expense ranging from \$613 to \$847 per month. These amounts are lower than in the original proposal.

Committee Action:				
Committee	Finance 5/14/18	Action	Approval	
For	Unanimous	Against		
Remarks:				

Phase I, known as The Enclave at Winston-Salem, was completed in 2012 on approximately eight acres of a 25-acre site, and Enclave II was to have been built on approximately 7.5 acres of the remaining 17 acres of land. Now, the entire 17 acres will be used for Enclave II, although about half of the land will remain in a natural state or be used for stormwater retention.

Proposed financing for the development consists of a conventional bank first mortgage loan, City funds as a subordinate mortgage, Neighborhood Stabilization Program (NSP) funds from the State Division of Community Assistance (DCA) through the Forsyth County Department of Community and Economic Development, state Workforce Housing Loan Program (WHLP) deferred loan, and funds derived from the tax credits. Current proposed sources for Enclave II are as followed:

\$9,598,570	Federal Tax Credit Equity
2,200,000	First Mortgage Bank Loan (first lien)
1,300,000	NSP (second lien)
500,000	Requested City Mortgage Loan (third lien)
250,000	WHLP funds (fourth lien)
171,803	Deferred Developer Fee
\$14,020,373	TOTAL

Financing and total project cost have changed since funding for the project was approved. The original proposal showed a total project cost of \$13,196,011 and is currently projected at \$14,020,373. Reasons include the increase in construction costs generally, DCA has increased the amount of NSP funds for the project from \$800,000 to \$1,300,000, tax credit equity has increased, the full amount of HOME funds authorized (\$500,000) will be used, and the bank loan has decreased. The developer has agreed to improve security (fence, lighting), parking, and buffering next to the single-family subdivision in exchange for the additional NSP funding and full HOME funds.

North Carolina Housing Foundation, Inc., located at 750 Bethesda Road, Winston-Salem, NC 27103, and MVAH Partners, whose managing member is Brian McGeady and located at 9349 Water Stone Boulevard, Cincinnati, OH 45249, are undertaking the project. Miller-Valentine Group recently spun off its affordable housing unit into a separate company, MVAH Partners. The same individuals who worked at Miller Valentine are part of this new company.

HOME funds of \$245,000 are currently in place for this project. The attached project budget ordinance will transfer \$255,000 in HOME funds for a total of \$500,000 for the project.