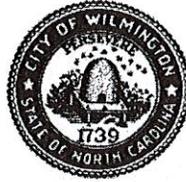


Resolution



City Council
City of Wilmington
North Carolina

CITY CLERK
Wendy Spivey

Introduced By: Anthony N. Caudle, City Manager

Date: 5/7/2024

Resolution Authorizing the City Manager to Enter into an Agreement with Landmark Asset Services, Inc., for Partial Loan Forgiveness to Preserve Affordable Housing

LEGISLATIVE INTENT/PURPOSE:

WHEREAS, City Council has identified workforce and affordable housing as a priority in the City's Strategic Plan; and,

WHEREAS, the City joined with New Hanover County to create the Workforce Housing Advisory Committee ("WHAC"); and,

WHEREAS, in March of 2021, the WHAC presented a Housing Needs Assessment for Wilmington and New Hanover County prepared by Bowen National Research in which the need for affordable rental housing was identified and quantified; and,

WHEREAS, the study found that over 52% of renters in the City of Wilmington pay more than 30% of their income for rent, meeting the definition of housing cost burdened; and,

WHEREAS, the study identified a gap or need for approximately 4,153 rental units per year for households earning less than 80% area median income ("AMI") during the period 2020-2030; and,

WHEREAS, beginning in 1990, the City has provided loans to Landmark Asset Services, Inc. ("Landmark"), to support the repurpose and rehabilitation of James A. Walker Apartments to provide affordable housing for households with incomes at or below 60% AMI; and,

WHEREAS, Landmark has submitted a preliminary application to the North Carolina Housing Finance Agency ("NCHFA") in the 2024 cycle to receive Low Income Housing Tax Credits ("LIHTC") to rehabilitate a 37-unit multi-family senior housing project, James A. Walker Apartments, at 1020 Rankin Street, Wilmington, NC ("the Project"); and,

WHEREAS, completion of the Project will address all outstanding City Code Enforcement violations, as well as extending the useful life of the building by substantially renovating the units, replacing all mechanical systems, modernizing the elevator, rebuilding the windows, and replacing the roof; and,

WHEREAS, a feasibility study has shown that the existing debt is unsustainable for the Project's size, so Landmark has requested that the City consider forgiving some of the existing debt, including a \$15,000 repair loan, a \$174,500 acquisition loan, and accrued interest on the rehabilitation loan; and,

WHEREAS, in exchange for the requested loan forgiveness, Landmark will pay off the principal of the rehabilitation loan in the amount of \$215,000, and the \$43,000 repair loan, for a total of \$258,000; and,

WHEREAS, the Project preserves the supply of affordable rental housing to eligible senior citizens earning at or below 60% AMI, and the project leverages non-City funds to address the City's affordable housing shortage.

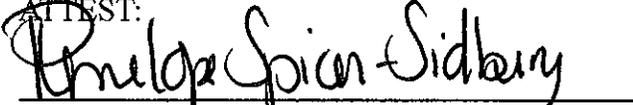
THEREFORE, BE IT RESOLVED:

THAT, the City Manager and the City Attorney are hereby authorized to draft and execute all documents necessary, including Memorandum of Understanding, with Landmark Asset Services, Inc., for the forgiveness of the \$15,000 repair loan, the forgiveness of the \$174,500 acquisition loan, and any accrued interest on the rehabilitation loan, in order to substantially rehabilitate 37 units of affordable senior housing for households earning 50% and 60% AMI.

THAT, the partial loan forgiveness shall be contingent upon completion of the memorandum of understanding, the project securing all required funding, the repayment of remaining principal balance of the current rehab loan in the amount of \$215,000, the repayment of the \$43,000 repair loan, and the issuance of a building permit.

Adopted at a regular meeting
on May 7, 2024


Bill Saffo, Mayor

ATTEST:

Penelope Spicer-Sidbury, City Clerk

APPROVED AS TO FORM:

Meredith T. Greenleaf
City Attorney



Landmark Asset Services, Inc.
401 East Fourth Street, Suite 203
Winston-Salem, NC 27101
Phone (336) 714-8910

Via Email: rachel.lacoe@wilmingtonnc.gov

Rachel LaCoe, AICP
Housing and Neighborhood Services Director
City of Wilmington
910-341-3237

RE: James A. Walker Rehabilitation – City Loans

Ms. LaCoe,

I am reaching out to discuss the proposed rehabilitation of James A. Walker Apartments (“JAWS”).

I thought explaining the history first would be helpful. JAWS was repurposed in 1990 by my grandfather, Dewayne H. Anderson, through a public-private partnership with the City of Wilmington (the “City”) in an effort to provide affordable housing to local low-income seniors. As you may know, JAWS has had a tough history. The property has survived multiple hurricanes, accidental fires caused by residents, and other perils. While not perfect, it has served its purpose for over three decades. However, as it has aged, it has become in constant need of repair, and many of its systems are outdated. Furthermore, it operates at a loss, which we have covered for many years. I mention this only to make the point that we believe this is no longer sustainable, and to emphasize that it is past the time to act.

Thus, we are coming to you, our partner, to ask for your help. Fortunately, we are not coming to you empty-handed, as we believe we have found a solution which will not only improve the property and the lives of its residents, but also ensure the long-term viability of the project.

As you know, we are proposing to substantially rehabilitate with Low Income Housing Tax Credits (“LIHTC”). We have already submitted the project for a preliminary application and intend to submit a full application on May 10th. While this is a competitive process, we feel that the project will be looked on very favorably by the agency due to its age and condition.

Since we last spoke, we have completed our feasibility analysis, and have prepared documentation for your review. As we have found on other projects we have renovated, this analysis shows that the amount of existing debt is unsustainable for the project’s size. JAWS’ existing debt totals over \$70,000 per unit. For reference, most LIHTC projects preferably hold around \$30,000 to \$40,000 in debt per unit.

With JAWS specifically, we will have limited debt and equity proceeds, and need to use the majority of these funds to pay for the construction and related soft costs. Even more important is the fact that our proposal will remove ongoing debt service. This is critical to ensure that the property is self-sufficient for the long haul.

Therefore, we would respectfully request that the City of Wilmington (the “City”) consider committing to forgive some of their existing debt. More specifically, we request that the City forgive:

Landmark Asset Services, Inc.
401 East Fourth Street, Suite 203
Winston-Salem, NC 27101
Phone (336) 714-8910

the \$15k repair loan, the \$174.5k Acquisition loan, and all the accrued interest on its Rehabilitation loan. In exchange, we would pay off the 215k rehab loan principal, and the 43k repair loan.

Any commitment to forgive and/or pay off would be contingent upon the project securing all required funding, and on the issuance of a building permit. This is to protect all parties interest, and ensure that the project starts construction.

To help make the project feasible, we have agreed to provide owner equity (deferred developer fee). Our other partner, North Carolina Housing Finance Agency ("NCHFA"), has signaled their tentative agreement to forgive some of their debt to help make the project feasible.

To provide more detail and to help with your evaluation of our request, I have attached:

1. Our proposed scope of work to the building.
2. An analysis of the existing debt, and our request to the city and our other lenders.
3. A Proforma showing our proposed sources, uses, and a 30-year trending.
4. Our market study showing strong demand for these units.

Thank you for considering our request. Please feel free to reach out to me anytime if you have any questions.

Sincerely,

Samuel J. Sari

Samuel J. Sari

Vice President of Landmark Asset Services, Inc.

Sam@LandmarkDevCo.com

(336) 714-8910