

Landmark Asset Services, Inc.
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Via Email: rachel.schuler@wilmingtonnc.gov

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

RE: James A. Walker Rehabilitation – City Loans

Mrs. Schuler,

As you know, we have been working to begin a substantial renovation of the James A. Walker Apartments. We last met with City Council in 2024, where we intended to apply for a LIHTC award through the North Carolina Housing Finance Agency. Fortunately, we were awarded in late 2024 and have spent the past year and change securing a tax credit investor, lender, and general contractor. Now, we are working through the due diligence and closing processes and intend to begin the renovation by the end of March.

However, we have recently reached an impasse related to the renovation, and we believe it requires input from the City of Wilmington. As you and I discussed, we received two bids from experienced LIHTC general contractors. They are both relatively close to one another in terms of overall price, but unfortunately, exceed our fixed budget. This is primarily due to our desire to install a sprinkler system in the building, since it never had one previously. We thought this necessary after the tenant fire in 2022, and generally install or upgrade sprinkler systems in all our renovations. However, on this project the bid to install the system is \$450,000. This is approximately 15% of the entire \$3,000,000 renovation budget. The total development cost is approximately \$6,350,000.

While we expected the system to be expensive, that 450k figure was a shock, and caused the entire budget to come in overestimate. I am told it is because the scope is much more extensive than originally thought, mainly because of the building's design. The building was never designed to have one, and its installation creates a ton of additional work (and thus cost) beyond the system itself.

It is my understanding that, because this is a renovation/repair, we are not actually required to install the system, and deleting it is an option. However, we believe installing this system is important for the safety of our residents.

Therefore, we are coming to the City Council to ask you to consider additional debt forgiveness. If you recall, the City had previously agreed to forgive the \$15k repair loan, the \$174.5k Acquisition loan, and all the accrued interest on its Rehabilitation loan. In exchange, we were planning to pay the City back the \$215k rehab loan principal, and the \$43k repair loan. Because of the shortfall, we are now requesting that the City now agree to forgive the remaining \$215k rehab loan principle, and the \$43k repair loan, for a total of \$258k in additional forgiveness.

These additional sources would allow us to decrease our acquisition price by \$258k and reallocate those funds to hard costs. The City's portion would be little more than halfway to the \$450k sprinkler. In

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exchange, we would agree to provide owner capital for the balance of the system, in addition to any other overruns discovered during construction.

I understand there may be some new council members. I thought some background information on the property and the Council's prior actions may be helpful.

- James A. Walker was first converted from a nurse's dormitory to affordable senior housing in 1990, through a public-private partnership by my grandfather, Dewayne H. Anderson, in 1990.
- The property has served this purpose for over 35 years but has had a tough history. The property was damaged by multiple hurricanes, accidental fires from residents, etc.
- Due to the above and its age, the property needs substantial renovation. I believe you have the full scope, but the highlights of our planned renovation include:
 - Building improvements: New roof, modernize (replace) the elevator from 1969, install new roof with 30-year warranty, clean and repair brick exterior, repair all windows, replaced handicap ramp, etc.
 - Units: all new mechanical systems, fixtures, hardware, cabinets, appliances, flooring, drywall and paint repair, etc.
 - Historic Character: the building is listed on the national register of historic places, and our renovation will maintain its historic character as we are using Historic Tax Credits.
- The overall goal of the rehab, other than improving the building for the residents, was to make it self-sustaining going forward. The property is small and held considerable debt, which historically operated at a loss. In the renovation, we are removing all hard debt service so the property can use all available funds for its own upkeep on a long term basis.

As was the case before, any commitment to forgive would be contingent upon the imminent project closing in March. This is to protect all parties interests, and ensure that the project starts construction.

To provide more detail and to help with your evaluation of our new request, I have attached a schedule outlining the proposed debt forgiveness, compared to our original request previously agreed to by the City.

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

Sincerely,

Samuel J. Sari
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