CITY OF WILMINGTON NORTH CAROLINA

Memo

To: Becky Hawke, City Manager
From: Gilbert Combs, Affordable Housing Manager
Thru: Rachel Schuler, Community Building Director
CC: Holly Bruhn, Mike Ferraro, Chianti Johnson, Tanita Wallace
Date: March 23, 2026
Re: Project Underwriting & Evaluation for Dawson Lofts II

Blue Ridge Cascade LLC dba BRAD WHA Dawson Lofts II, LLC applied for $2,500,000 in funding from the City Affordable Housing Fund to support a new 86-unit multiple-dwelling development located at 883 Virgie Rhodes Lane.

Summary of Project Request

BRAD Apex on Market, LLC, is proposing a new affordable 86-unit multiple-dwelling development that would be affordable to households with a range of household area median income ("AMI"). The project is proposed to help address the growing need for affordable housing at a variety of price points for families in Wilmington and the region. The proposal will include 18 one-bedroom units, 44 two-bedroom units, and 24 three-bedroom units. The project will include amenities such as an exercise room, community room, computer center, covered picnic area, laundry room, outdoor sitting areas with benches, playground, and tenant storage areas. As identified in the application and proximate to the proposed location, there is one grocery store, a convenience store, a dollar store, a community center, a medical facility, a school, and a bus stop.

Staff reviewed the project and based on available funds and projects in the pipeline, staff is recommending $1,500,000. The total project cost is estimated at over $28.46 million, meaning the investment from the City of Wilmington's General Fund Committed Affordable Housing Fund of $1.5M is leveraging nearly $18 per $1 spent.

If awarded, City of Wilmington staff will monitor the project for 20 years to ensure eligible tenants occupy the units. The loan term will be 20 years at 1% interest.

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Criteria for Project Evaluation & Underwriting Include:

- Market Analysis
  Demonstrated demand, ability to sell/rent within projected time, and impact on existing affordable housing developments.
- Project Scope
  Consistency with City plans, community support, site evaluation/layout/design, environmental review, quality of design and construction, and amenities.
- Project Funding and Operations
  Development budget/cash flow, operating budget/cash flow (if applicable), leverage of non-city funds, and repayment of City funds.
- Developer Capacity and Fiscal Soundness
  Staff and developer capacity, and fiscal soundness.

Below, please find a summary of the City of Wilmington Affordable Housing staff review. Please don't hesitate to contact Gilbert Combs at 910.341.5809, gilbert.combs@wilmingtonnc.gov with any questions regarding this memo.

Project Evaluation & Underwriting was completed as follows:

Market Analysis (10 of 10 points)

- The project is an 86-unit affordable multiple-dwelling apartment project.
- Dawson Lofts II at Jervay – Market Study prepared by Koontz and Salinger indicates demand for the project. Demand calculations show a total demand of 438 households over the 2024 to 2027 forecast period with an overall capture rate of 1.7%. The study determines no negative impact within the PMA market at the time the subject is introduced.
- The target markets are primarily families with 17 units up to 30% AMI, 23 units up to 50% AMI, 31 units up to 60% AMI, and 15 units up to 80% AMI.
- 71 units (all 30%, 50%, and 60% units) will be project-based rental assistance (PBRA), while the 15 80% units will be low-income housing tax credit (LIHTC) units
- Units will range from $998 up to $2,095 for one-, two-, and three-bedroom units under PBRA and $1,260 up to $1,800 for the LIHTC units.

Project Scope (30 of 35 points)

- The project is consistent with the 5-Year Consolidated Plan analysis of housing needs, the Create Wilmington Comprehensive Plan, and the 2022 City of Wilmington & New Hanover County, North Carolina Housing Needs Assessment Update, especially the need for affordable housing for households at less than 80% AMI.
- The project required no entitlement process and was not required to engage with the community through a rezoning process. It is important to note that the gap financing application emphasizes community involvement and the acquisition of letters of

support. In 2025, a presentation was made to members of the Jervay neighborhood. No comments were provided from that meeting.

- The site is within 1.4 miles of a grocery store, one pharmacy, a medical facility, three retail establishments, a gas station, and a community center. It is also within 1/10th of a mile of a Wave Transit Bus Stop.
- The project design, energy efficiency, accessibility, use of space, character, and features are satisfactory. 10 units would be fully ADA accessible.
- Comparable project specifications and information provided by the developer show the quality of materials and design, including, but not limited to, multiple roof lines, various materials, textures, and colors on exteriors, low-maintenance building materials, and spacious and functional interior tenant spaces. Energy efficiency is incorporated into building construction techniques and systems.
- A Phase I Environmental Site Assessment was conducted on January 19, 2026. This assessment was performed by Dominion Due Diligence.

Project Funding and Operations (32 of 40)

- Development cost is comparable to similar projects and reasonable per square foot costs for multi-family
- Developer's fee does exceed 20%
- Operating Budget/Cash Flow
- Development budget cash flow projections illustrate uses and sources of funds available. The debt coverage ratio is not less than 1.15. The pro-forma shows DCR at 1.16 in year one of repayment and 1.39 in year 15.
- Project Vacancy rate of 7% meets NCHFA requirements
- Project Rent Rate meets NCHFA requirements and HOME requirements
- Operating Cost projections reflect 3% increase in operating expenses annually
- Operating Revenue projections reflect revenue increases at 2%
- Ongoing contribution to replacement reserve at $250 per unit annually as per NCHFA requirements and escalates at 2% annually.
- Non-city funds to be awarded or loaned to the project:
  - Mortgage – FMAC - $12,800,000 at 5.9%
  - Tax Credit Equity - $10,705,824
  - Other – Investment Income $658,167
  - Capital Contribution (Land) $900,000
  - Deferred Developer Fee - $905,388
- Repayment to the City of Wilmington will be based on 10% of cash flow starting in 2029, will include an interest rate of 1%, and will balloon at the end of the 20-year term.
- Project meets NCHFA underwriting requirements.

Developer Capacity and Fiscal Soundness (8 of 10 points)
Staff due diligence included a review of the following:

- Developer provided list and details of completed projects.
- Review of Resume and Property Portfolio of Property Management Company Property Management Corporation.
- Development Team Resumes, Financial Statements, and References.
- NCHFA preliminary applications submitted.

An analysis of the above-listed due diligence documents leads CDAH staff to determine: The development team has demonstrated the experience and skill necessary to successfully complete the project.

- The developer has successfully completed projects of a comparable size and scope in the past.
- The developer has access to the financial resources necessary to complete the project.
- The developer has the net worth to take on this project.

3/11/2026

Gilbert Combs, Affordable Housing Manager — Date

3/12/26

Tanita Wallace, Sr. Community Development Analyst/Housing — Date

Chianti Johnson

Chianti Johnson, Community Development Analyst/Compliance — Date

3/11/26

Holly Bruhn, Loans & Entitlements Grants Manager — Date

3/11/26

Todd Fiskin, Facilities Project Coordinator — Date

Signature: Chianti Johnson

Email: chianti.johnson@wilmingtonnc.gov