

CITY OF HIGH POINT

AGENDA ITEM



Title: Amendment of the 2014-15 Annual Action Plan and the 2010-14 Consolidated Plan

From: Michael E. McNair, Director

Meeting Date: 4/13/2015

Public Hearing: Yes

Advertising Date: 4/3/2015

Advertised By: High Point Enterprise

Attachments: Resolution approving the Section 108 Amendment for the Kirkwood Crossings Development
Executive Summary of the Section 108 Amendment Application
Aerial view of site
Site plan
Project rendering

PURPOSE:

A public hearing is required to amend the City's 2014-15 Annual Action Plan and the 2010-14 Consolidated Plan. The hearing is required to recognize the amendment of the Section 108 loan authorization in order to make a loan to Wynnefield Properties towards the development of Kirkwood Crossing.

BACKGROUND:

Under HUD regulations, the section 108 loan authorization must be amended to add a new use or project that was not included in the original application. Consequently, Council conducted a public hearing on March 2nd to initiate the amendment of the City's Section 108 authorization to allow for financial participation in the development of Kirkwood Crossings. A 30 day public comment period was established to receive citizen input on the amendment from March 3rd through April 1st, 2015.

The amendment to the section 108 loan authorization requires a corresponding substantial amendment to the City's 2014-15 Annual Action Plan and the 2010-2014 Consolidated Plan. This public hearing will be conducted to complete that process.

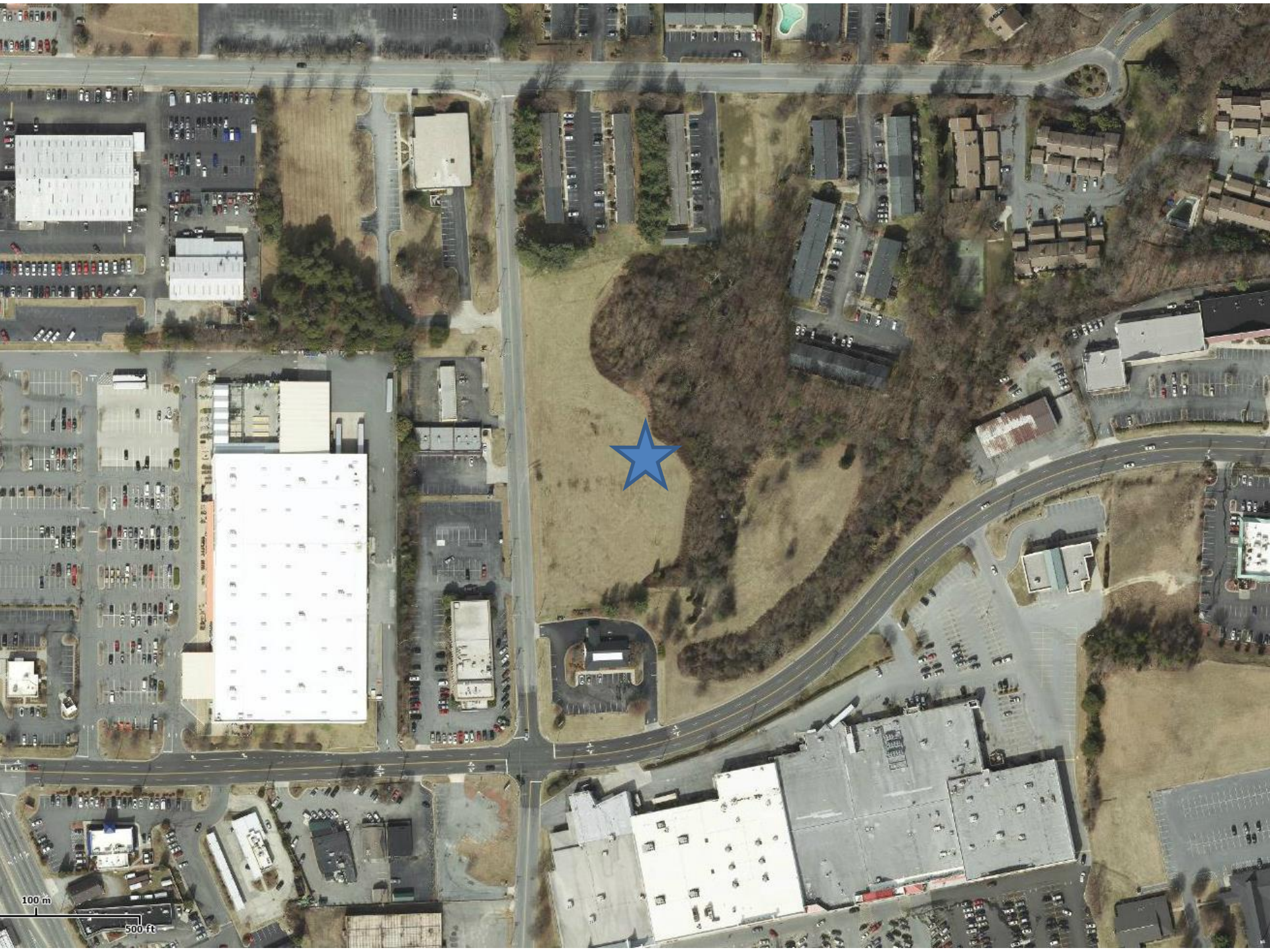
BUDGET IMPACT:

\$2,000,000.00 will be allocated from the section 108 loan authorization to the Kirkwood Crossings project.

RECOMMENDATION / ACTION REQUESTED:

Council's favorable consideration is requested on the following:

1. Resolution approving the Section 108 Amendment for Kirkwood Crossings Development
2. Approve the amendment to the 2014-15 Annual Action Plan and 2010-2014 Consolidated Plan.



100 m
500 ft

RESOLUTION

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF HIGH POINT, APPROVING AND PROVIDING SECURITY FOR THAT CERTAIN HUD SECTION 108 LOAN IN THE AMOUNT OF \$2,000,000.00, AND THE EXPENDITURE OF SAID FUNDS FOR THE DEVELOPMENT OF A LOW INCOME TAX CREDIT DEVELOPMENT KNOWN AS KIRKWOOD CROSSING

Whereas, the City receives an annual allocation of Community Development Block Grant (CDBG) funding from the U. S. Department of Housing and Urban Development (HUD) to use for a variety of eligible projects defined through federal regulations, and as a participant in this program, the City is eligible to apply for Section 108 Loan Guarantee funding; and

Whereas, Section 108 is a part of HUD's Community Development Block Grant (CDBG) program and provides communities with a source of financing for activities such as economic development projects and public improvements, making it an important public investment tool offered by HUD to local governments; and

Whereas, the City seeks to amend its Section 108 Loan Authorization to use \$2,000,000.00 to enable the City to acquire property located on Kirkwood Street and described as Lot X, Plat Book 86, Page 87, Guilford County Registry, and to provide for the construction of public improvements thereon that will facilitate the development of a Low Income Housing Tax Credit development known as Kirkwood Crossing, which improvements will be constructed by Kirkwood Crossing, LLC and Wynnefield Properties, Inc.; and

Whereas, the City will repay the loan to HUD over a period of twenty (20) years, making payments as required by HUD, with a balloon payment of all unpaid principal in the 20th year; and

Whereas, pursuant to statutory and regulatory requirements, the City must pledge by Resolution its current and future Community Development Block Grant Funds as security for repayment of said Loan.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of High Point, North Carolina, as follows:

That pursuant to 24 CFR 570.705(b)(2) the City does pledge its current and future Community Development Block Grant Funds for repayment of the Section 108 loan in the amount of \$2,000,000.00.

That the Section 108 loan in the amount of \$2,000,000.00 may be used to enable the City to acquire property located on 2208 Kirkwood Street and described as Lot X,

Plat Book 86, Page 87, Guilford County Registry, for the sum of \$850,000.00 and to provide for the construction of public improvements that will facilitate the development thereon of a Low Income Housing Tax Credit development known as Kirkwood Crossing, which will be constructed by Kirkwood Crossing LLC and Wynnefield Properties, Inc.

That for the construction of the improvements, the City will enter into a ground lease with Kirkwood Crossing, LLC for the sum of \$1.00, and Kirkwood Crossing, LLC will grant a Promissory Note and Leasehold Deed of Trust to the City for 1,150,000.00 to finance the improvements.

That Kirkwood Crossing, LLC will have an option to purchase the Property, which when exercised, shall be for a purchase price equal to its appraised value, which purchase price will be paid through a Purchase Money Note and Deed of Trust in favor of the City in the amount of said purchase price plus the amount of the payoff on the \$1,150,000.00 improvement loan.

That the terms of said purchase money financing shall be for a twenty year term with interest at 2% per annum and nineteen (19) payments of interest only on the unpaid principal balance. All unpaid principal and any unpaid accrued interest shall be due and payable in a balloon payment at the end of the term.

That the City will utilize the payments received from Kirkwood Crossing, LLC under said Promissory Note to offset the amounts of the payments made by the City to HUD on the Section 108 loan.

That the City Manager and his appropriate designee(s) are hereby authorized and directed to execute any and all documents on behalf of the City as may be necessary to effectuate the completion of the loan process, including, but not limited to, the Ground Lease with Kirkwood Crossing, LLC, and the deed to Kirkwood Crossing, LLC, upon exercise of the Option.

Witness my hand and official seal, this ____ day of _____, 2015.

Mayor, City of High Point

WITNESS:

Clerk of the City of High Point



Section 108 Loan Guarantee Program

Application Amendment

Submitted by

Community Development & Housing
211 S. Hamilton Street
High Point, NC 27260

April 14, 2015



Executive Summary

The City of High Point proposes to utilize a portion of its Section 108 allocation in support of a multi-family housing development, employing one of the Section 108 application's approved uses - to finance public improvements to support multi-family housing initiatives.

Statement of Need

Recent housing market studies have revealed a significant number of High Point residents that are in need of housing that is decent, safe and affordable. A recent market study for a formerly-proposed project within 1.5 miles of the Kirkwood Crossing site shows that the affordable housing demand within the project's Primary Market Area (PMA) for 2- and 3-bedroom apartments is more than 1,000 units (net). Note that the PMA for this project as shown starting on Page 21 of the market study is not inclusive of the entire city limits of High Point, so the true demand for affordable housing in the area is significantly greater.

Substantial Amendment to 2014-15 Annual Action Plan

Upon approval, this application will constitute a substantial amendment to the City of High Point's recently submitted FY 2014-2015 Annual Action Plan. Specifically, the application will amend the resources expected to be available for the FY2014-15 program year to include an additional \$2,000,000 in Section 108 Loan Guarantee funds in support of the Kirkwood Crossing project.

Sources/Uses

Sources:

Section 108 Loan	<u>\$2,000,000</u>
TOTAL Sources	\$2,000,000

Uses:

Acquisition	\$850,000
Site Improvements	<u>\$1,150,000</u>
TOTAL Uses	\$2,000,000

Eligible Activity & National Objective

The proposed use of these funds for public improvements (e.g., water/sewer, curb/gutter, sidewalks, etc.) supporting multi-family developments benefiting low- and moderate-income persons is eligible per 24 CFR 570.703(f). The proposed uses of these proceeds for acquisition and the construction/rehab/installation of public facilities are eligible per 24 CFR 570.703(a) and 570.703(l).

This program will meet the National Objective - activities benefiting low- and moderate-income persons - per 24 CFR 570.208(a).

Partnerships

The City shall partner with an experienced for-profit developer of affordable multi-family housing, Wynnefield Properties, with experience in applying for and securing Low-Income Housing Tax Credits (LIHTC) for proposed projects. The City has previously partnered with Wynnefield by providing gap financing for two LIHTC projects in High Point, Admiral Pointe (HOME - \$500,000) and Addington Ridge (Section 108 - \$1,350,000).

Collateral and Repayment

All investments will be in the form of a loan and shall be secured by a mortgage encumbering the property (2nd lien, minimum). The Borrower shall be required to execute a deed of trust, security agreement, assignment of leases, rents, and other profits and other customary security documents in form customarily used for loans of this type.

Loan repayment shall come from the net operating income (NOI) of the project, which will be verified by project underwriting.

Project Implementation and Timeline

The City is presently in discussion with Wynnefield Properties, to support the development of a proposed 84-unit, affordable housing project named Kirkwood Crossing. Wynnefield intends to submit a LIHTC application to the North Carolina Housing Finance Agency (NCHFA) to be considered in its next funding round (application due date of May 2015).

Project Type

The City shall limit its investments to public improvements to property the City will acquire and to facilitate the construction of multi-family developments that benefit low- and moderate-income persons that will generate sufficient cash flow to repay the City's loan toward the project.

Loan Size

The Section 108 funds for acquisition and public improvements in support of the Kirkwood Crossing project is expected to total \$2,000,000. Once the property has been acquired and improved, the property will be conveyed to the LIHTC developer and the City's investment shall be secured by a mortgage lien to the developer.

Method of Repayment & Terms

The principal and interest amount of each note evidencing each loan shall be payable in monthly installment calculated using an amortization period not to exceed twenty (20) years with an interest rate at least equal to the rate charged the City by HUD. The loan is expected to be based on a 20 year amortization with interest only payments concluding with a balloon payment of the balance owed.

Section 108 Debt Service

The City will pay Section 108 debt service from project debt service payments it receives from project proceeds. To secure repayment of its guaranteed loan, the City will pledge its interest in the project loan secured by liens on the real estate. The City also pledges its CDBG funds as security for repaying its Section 108 Guaranteed Loan.

KIRKWOOD CROSSING

HIGH POINT, NC

2-23-2015

SITE INFORMATION:

SITE: 6.61 ACRES
DENSITY: 14.52 UNITS/ACRES
BUILDINGS: (1) 1 STORY CLUBHOUSE
(4) 3-STORY APARTMENT BUILDINGS
SPRINKLERS: 13R
PARKING SPACES: 192 PROVIDED @ 2 PER UNIT

UNIT INFORMATION:

UNIT MIX		SPCS/UNIT	PKG. REQ.
2-BR (B UNITS)	= 45	2.0	90
3-BR (C UNITS)	= 39	2.0	78
TOTAL	= 84 UNITS		168

REQUIRED SITE AMENITIES:

- A. PLAYGROUND - (W/ MIN. 1 BENCH)
- B. MULTI-PURPOSE ROOM (MIN. 250 SQ. FT.)
- C. COVERED PICNIC AREA - (150 SQ.FT. W/ 2 TABLES & GRILL)

ADDITIONAL AMENITIES:

- D. OUTDOOR SITTING AREAS W/ BENCHES - (MIN. 3 LOCATIONS)
- E. EXERCISE ROOM - (W/ NEW EQUIPMENT)
- F. RESIDENT COMPUTER CENTER - (MIN. 2 COMPUTERS)



SCALE: 1" = 100'-0"



MARTIN RILEY ASSOCIATES - ARCHITECTS, P.C.

25 CHURCH STREET SUITE 200 DECATUR GEORGIA 30030-3329 404-373-2800

KIRKWOOD CROSSING
HIGH POINT, NC

MARTIN RILEY ASSOCIATES
CSP.1

NOT RELEASED FOR CONSTRUCTION



WYNNEFIELD - KIRKWOOD CROSSING - HIGH POINT, NC

KIRKWOOD CROSSING

HIGH POINT, NC

2-20-15