



# Affordable Housing Project Updates and Direction

*City Council Work Session  
August 7, 2023*

- June 28, 2021 Affordable Housing Study Adoption
  - Extreme need for rentals at 30% of Area Median Income and below
  - 10% decrease in homeownership
- June 6, 2022 New Policies and Procedures
  - Allow for more development partners and smaller scale rental developments
- July 1, 2022 Launch Program
  - Notice of Funding Availability – Open Applications on a rolling basis
- Various Project Development Activities
  - Staff meets, trains, consults, and helps develop projects for Council review
- August 7, 2023 Project Proposals

- The process is approximately 6 to 34 months long
- Can take as long as 34 months depending on a variety of factors
- Requires work by the developer on the front end
  - ID and acquire property
  - Market analysis
  - Site layout and Architectural drawings
- Legal requirements
  - Rent standards
  - Income qualifications
  - Comply with state and federal laws
- Financial sustainability



# Project Overview

- **Step Up** – Nonprofit proposing to convert motel into supportive housing for homeless
- **Fayetteville Gardens** – Private developer proposing to rehab 40 yr. old rentals
- **Hillside Manor** – Private developer (associated with FMHA) in need of substantial repairs
- **S. Cool Spring St.** – Private developer producing 8 rental units
- **Blanton Green** – Extension of a \$380,000 loan made in 2009 with HOME funds

| HOME-ARP Funding |              |
|------------------|--------------|
| Total Allocated  | \$ 3,397,564 |
| Step Up Capital  | \$ 3,397,564 |
| Total Remaining  | \$ -         |

| American Rescue Plan Act Funding |              |
|----------------------------------|--------------|
| Total Allocated                  | \$ 4,000,000 |
| Fayetteville Gardens             | \$ 1,250,000 |
| Step Up Operating                | \$ 2,000,000 |
| Rosehill Road SF                 | \$ 750,000   |
| Total Remaining                  | \$ -         |

| State Funding   |              |
|-----------------|--------------|
| Total Allocated | \$ 1,000,000 |
| Rehab           | \$ 250,000   |
| Down Payment    | \$ 400,000   |
| Total Remaining | \$ 350,000   |

| HOME Funding     |              |
|------------------|--------------|
| Total Available  | \$ 5,823,113 |
| Cliffmore Park   | \$ 683,968   |
| Hillside Manor   | \$ 1,800,000 |
| Cool Spring      | \$ 400,000   |
| Marius Maximus   | ????         |
| Hodges Lodges    | ????         |
| Young Properties | ????         |
| Shine Light      | ????         |
| Old Wilmington   | ????         |
| Total Remaining  | \$ 2,939,145 |

- **GREEN** – Discussing Today
- **GREY** – In early predevelopment (may change amounts, names, or disappear)
- **BLACK** – Already underway



## FAYETTEVILLE

SHANGRI-LA INDUSTRIES (SLI) + STEP UP



Welcome Home





511 S. EASTERN BLVD., FAYETTEVILLE, NC 28301

## NIGHT INN MOTEL

### TYPE

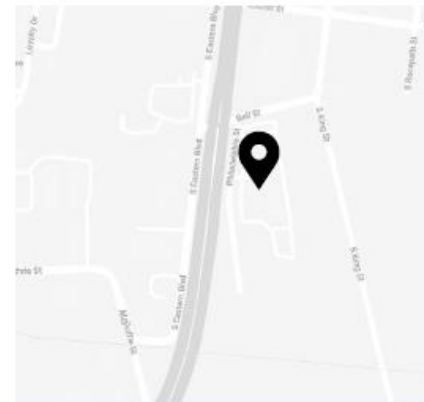
Motel Conversion to PSH

### UNITS

140: 137 PSH / 3 Manager

### YEAR BUILT/RENOVATED

1972/2023





# Site Plan



Potential Trailer Location (Counseling Services Employee Offices)



Dog Run



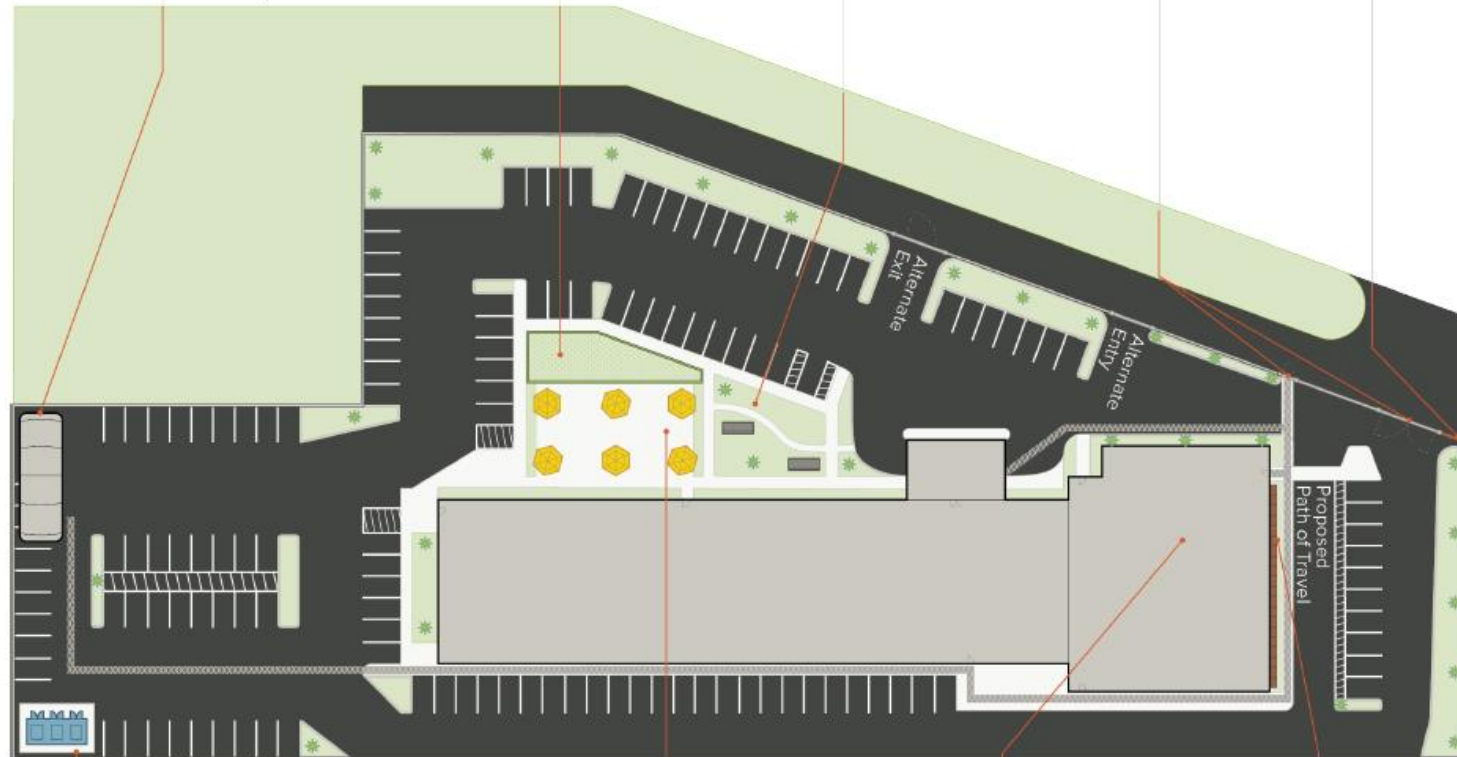
Replace Old Landscaping



Main Entry/Exit Gates



New "Step Up" Entry Signage



New Trash Enclosure



New Landscaping & Outdoor Amenity Area (Old Pool)



Communal Amenities Space



New Mailboxes

## Development Expertise



- » Shangri-La and Step Up have **developed over 25 properties** for extremely low-income (ELI) individuals.
- » To date, our team has stabilized or is in the process of developing over **1,400 ELI units** throughout the country.
- » Shangri-La has decades of experience building market-rate housing.
- » Shangri-La is a respected and well-capitalized company with a **bonding capacity of over \$450 million and more than \$300 million in private capital committed to sheltering, rehabilitating, and improving the lives of the unhoused.**



## Supportive Services

**All services are evidence-based and modeled upon the concept of Housing First, Harm Reduction, and Trauma-Informed Care. To date, Step Up is contracted to provide supportive services for 27 properties, and those services include some of the following:**

- » Life skills and job training
- » Service coordination for medical care and medication, including substance abuse
- » Weekly support groups
- » Activities including arts and creative writing classes
- » Representative payee services
- » Access to food programs
- » Transportation assistance

## Property Management

**To date, Step Up is contracted to provide property management for 21 properties. Retention rates exceed 97% year over year. Management services include the following:**

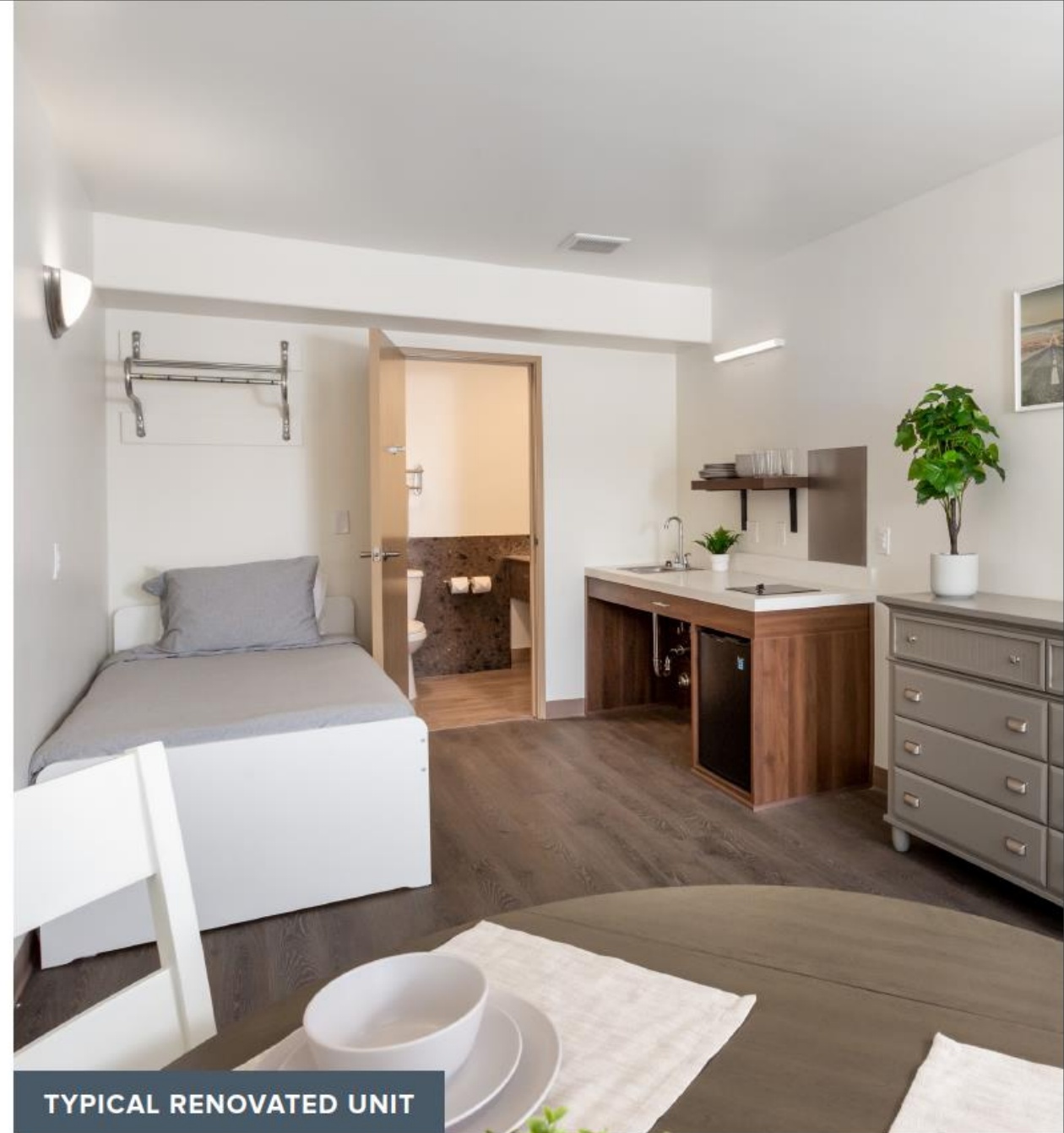
- » Lease up using CES/CARS
- » Collection of rents
- » Oversight of day-to-day operations
- » Coordination of repairs and building maintenance
- » Maintaining clean living spaces
- » Enforcing house rules and lease terms
- » Managing complaints and disputes
- » Performing inspections
- » Ensuring safety for the residents and surrounding community

## What we Bring

- » Local match funds
- » Capital for acquisition and construction
- » Liability coverage for the building
- » Familiarity with the area and the ability and desire to address the community's needs
- » Cost efficiency
- » The ability to deliver in 4-6 months an affordable housing apartment
- » A nationally recognized supportive services/property manager with retention rates that far exceed the average
- » A well-maintained and attractive property that helps get people off the streets

# Typical Development

- » Permanent supportive housing apartments completed within 4-6 months
- » 75-150 affordable units dedicated to people experiencing chronic homelessness
- » Fully remodeled units with new kitchenettes, luxury vinyl tile flooring, and new furnishings
- » Refreshed exterior paint, upgraded windows, new roof, and enhanced facades
- » Interior and exterior upgrades to enhance accessibility and comply with current ADA guidelines
- » Upgraded parking lot with accessible parking
- » New monument sign







**TYPICAL COURTYARD RENOVATION**

## » **Safety and Security Features**

- » Perimeter fencing
- » Gated controlled access driveway and pedestrian entrance
- » State-of-the-art security cameras with facial recognition software
- » Unit smart locks
- » Security patrols for the first year of operation



# Typical Amenities

- » Walkable community close to public transportation, grocery stores, restaurants, pharmacies, health care, etc.
- » On-site supportive services and 24-hour live-in manager
- » Coin and smart phone operated laundry facilities
- » Counseling center
- » Offices
- » Computer center
- » Dog park
- » Recreation area
- » Utilities, Wi-Fi and smart TV's provided at no cost







## Successes

- » **98%** retention rate for residents year over year
- » We have housed thousands of formerly chronically homeless individuals
- » We have provided job placement for residents
- » We have provided Individualized mental and physical health support to ensure positive outcomes



*Step Up in San Bernardino Residents*

*After experiencing homelessness and serious health issues during the pandemic, new Step Up members Cheryl and Billy Ray say that they've found peace and a second chance to pursue their goals since into their home at the All-Star Lodge in San Bernardino. The couple plans to focus on Cheryl's health and finding a job for Billy Ray. Their future goal is to "...give back to the ones who can't fight for themselves."*



- DEVELOPER
- GENERAL CONTRACTOR
- PROPERTY MANAGER
- SERVICE PROVIDER

Homekey  
Experience



101 PSH Units



STEP UP IN SALINAS



76 PSH Units



STEP UP IN SAN BERNARDINO



45 PSH Units



STEP UP IN KING CITY



44 PSH Units



STEP UP ON FAIRVIEW



58 PSH Units



STEP UP ON SANBORN



100 PSH Units



STEP UP IN REDLANDS



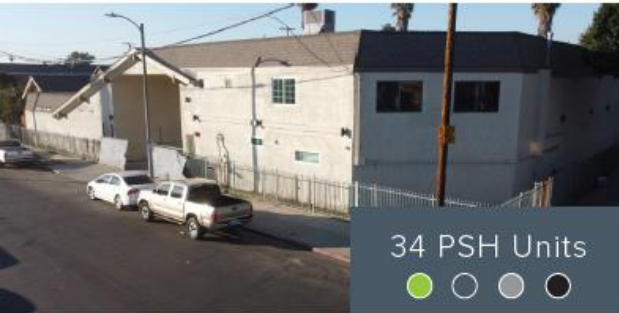
77 PSH Units



STEP UP IN THOUSAND OAKS



- DEVELOPER
- GENERAL CONTRACTOR
- PROPERTY MANAGER
- SERVICE PROVIDER



STEP UP ON BROADWAY



STEP UP ON VINE



STEP UP ON COLORADO



STEP UP ON SECOND



STEP UP ON WEST THIRD



STEP UP ON WESTERN



STEP UP IN ASHEVILLE



VA BUILDINGS 205, 208, 209



# Before & After

## STEP UP IN REDLANDS, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 2)



Before



After



Before

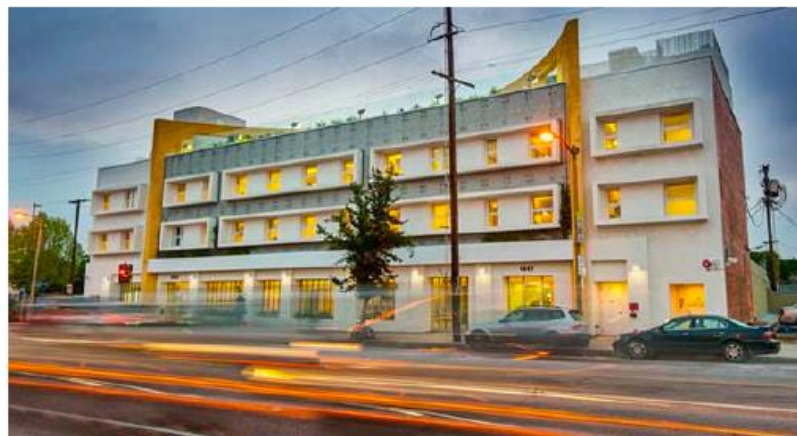


After

## STEP UP ON VINE



Before



After



Before



After



# Before & After

## STEP UP IN SAN BERNARDINO, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 1)



Before



After



Before



After

## STEP UP IN SALINAS, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 1)



Before



After



Before



After

# Before & After

## STEP UP ON SANBORN, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 2)



Before



After



Before



After

## STEP UP IN THOUSAND OAKS, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 2)



Before



After



Before



After



# Before & After

## STEP UP IN KING CITY, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 2)



Before



After



Before



After

## STEP UP ON FAIRVIEW, A SHANGRI-LA COMMUNITY (HOMEKEY ROUND 2)



Before



After



Before



After



# THANK YOU



- Project would contain 137 units with supportive mental health and case management services
- One half mile from the Day Resource Center
- The City would support the project with \$3.4M in direct financing of the acquisition and rehabilitation and \$2M in operating support for the first 3 years
- Requires additional funding for the first 3 years of supportive services (approximately \$1M)
- Partnerships are being explored with the County for additional funding and Housing Authority for long term Voucher Support to help with rents

# Fayetteville Gardens



- 100 Unit Family Apartments
- Built in 1980 and in need of rehabilitation
- Funds would replace electrical systems, install energy efficient appliances, address structural repairs, and ADA accessibility





- Current application for 4% Low Income Housing Tax Credits from the North Carolina Housing Finance Agency
- Requesting American Rescue Plan Act Funding in the Amount of \$1.25M
- Financing would be in the form of a low interest long-term loan to be paid back as a balloon in 20 years
- Affordability is secured on the units with a Housing Assistance Payments (HAP) Contract which is part of the Section 8 program
- Tenants pay no more than 30% of their income for rent and utilities
- The Contract with HUD pays the difference between 30% and market value



# Hillside Manor Rehabilitation





- Privately owned affordable housing (Hillside Manor-FMHA, LLC)
- 32 units of income restricted senior housing
- Constructed in 1971
- Substantial repairs and rehabilitation are needed to bring the development up to current standards
- Requesting \$1.8M in the form of a low interest loan
- Repayment terms and interest rates are not set yet
- Further staff evaluation of the Capital Needs Assessment and financial model are required prior to arriving at official loan terms

# S. Cool Spring St.





# S. Cool Spring St.

- Abandoned nuisance property at 238 S. Cool Spring St.
- Privately owned affordable housing (Innovative Builds Inc.)
- 8 units of income restricted rentals (4 – 1br and 4 – Studio)
- Substantial repairs and rehabilitation are needed to bring the development up to current standards
- Requesting up to \$400k in the form of a 2% interest loan
- Repayment would be amortized to be fully repaid in 30 years or when sold
- Ready to close immediately upon Council approval



# Blanton Green II

- Affordable housing loan for \$380,000 made in 2009 with HOME funds
- Term of the loan is for 20 years at 2% interest
- The primary mortgage matures on Nov. 1, 2033 but our loan is currently due
- Management company is requesting that the City extend its loan terms to match the primary mortgage
- If the City does not extend, the management company will have to refinance all the debt, resulting in a higher interest rate
- Blanton Green II's rents are significantly lower than the rents at new developments
- Refinancing would require higher rents to support the new debt service requirements



# Other Listed Projects

- Other projects are being worked on by developers with staff consultation
- They are not ready for Council approval until they are vetted for:
  - Financial feasibility
  - Funding Source applicability
  - Legal restrictions
- Some of these projects include infrastructure and construction financing for single family homes sold to eligible first time homebuyers
- Various small scale rental projects designed to:
  - Improve housing quality in challenged neighborhoods, or
  - Provide housing to support mission driven nonprofits



- Before moving forward, staff is seeking consensus on funding the discussed projects as outlined:
  - Step Up, with \$3.4M in capital financing at 0% interest, forgiven at 20 years (HOME-ARP) and a \$2M operating subsidy (ARPA)
  - Fayetteville Gardens, with \$1M in capital financing at a low interest rate, balloon payment at 20 years (ARPA)
  - Hillside Manor, with \$1.8M in rehabilitation financing at a low interest rate, balloon payment at 20 years (HOME)
  - S. Cool Spring St., with up to \$400k in rehabilitation financing at 2% interest, fully amortized for 30 years
  - Blanton Green, with an extension of a \$380,000 loan made in 2009 with HOME funds for an additional 10 years





[FayettevilleNC.gov](http://FayettevilleNC.gov)