



DATE: February 21, 2025

TO: Nasha McCray, Assistant City Manager

FROM: Sue Schwartz, Planning Director

DEPARTMENT: Housing and Neighborhood Development

SUBJECT: Solomon's Plaza Underwriting Standards Waiver

The Housing and Neighborhood Development (HND) Department is requesting a waiver of specific City underwriting standards to facilitate the Solomon's Plaza development at 1632 Ball St. This project is a critical step in expanding the City's stock of affordable housing, providing 24 three-bedroom, two-bathroom units at an affordability level of 80% Area Median Income, with rents set at \$1,650 per month.

The City has invested \$700,000 in 2016 Housing Bond funds for land acquisition and site improvements. The developer is now requesting an additional \$1,000,000 from the City to support construction.

HND staff have reviewed the project's updated financials (October 2024) and confirmed that it meets most City underwriting standards. However, two areas require consideration for a waiver:

1. The projected vacancy rate is modeled at 5%, whereas City underwriting guidelines require 7%.
2. The debt-service coverage ratio (DSCR) falls slightly below the 1.15 requirement for a portion of the loan term, ranging from 1.12 to 1.14 over 20 years of the proposed 30-year City loan.

While these variances exist, the project has secured a \$3.3 million senior loan from M&F Bank for a 5-year term that aligns with their underwriting criteria. Given the pressing need for affordable housing and the City's broader commitment to expanding housing opportunities, we request the granting of a waiver for these specific underwriting requirements.

This waiver would allow the project to move forward while still ensuring long-term financial viability and responsible stewardship of public funds. HND will continue to monitor the project to ensure compliance with affordability commitments and financial performance.

Thank you.

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Attached: City Housing and Neighborhood Development Underwriting Standards