

Mr. Morrill,

Thanks for your time this afternoon. I want to follow up with an email as promised. Per our discussion, we find it difficult to come up with a multi-family development scenario that preserves the existing buildings and that would not require substantial local subsidy. We believe the subsidy required would be in the \$2 - \$3 million range. We considered the following:

- Affordable housing subsidized with tax credits:
 - 9% tax credit development would require little to no subsidy, but the site is too far from grocery and primary shopping amenities to be competitive. Major shopping needs to be less than 1 mile from the site.
 - 4% tax credit development would work but would require \$3 million or more in subsidy even if historic tax credits are included
- Market rate housing (not subsidized):
 - Potential rents are not high enough to support this sort of development
 - Subsidy of about \$2 million would be required to make the underwriting work. Note in this scenario the rents would be at a similar level to 60% of area median income. So in short, this is like doing an affordable development without tax credits. In this scenario, we underwrote 16 units vs. 80 units in the 4% tax credit deal (thus the lower absolute subsidy without tax credits... its much higher on a per unit basis).

Again, the scenarios above assumed preserving the buildings. If the buildings were demolished, the most viable housing development is probably single family. If the land were sold, the costs invested in the property could be recouped at a minimum. Alternately, you could demo the buildings and hold the property. The land most probably increases in value over time. And a future development is more viable if shopping amenities are built closer to the site or the development momentum picks up in the surrounding area.

I hope this is helpful. Please let me know if you have any questions.

Best,

Dionne



Dionne Nelson

PRESIDENT & CEO

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