

# Nonprofit seeks \$2.1 million city loan to buy Raleigh apartments

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RALEIGH — Nonprofit housing agency DHIC will seek a \$2.1 million loan from the Raleigh City Council on Tuesday to buy the 245-unit Washington Terrace apartments east of downtown.

DHIC has the property under contract for \$4.75 million, but the agency's mortgage for the purchase covers only \$3 million.

"We ask that the City of Raleigh commit to bridge our financing gap," DHIC president Gregg Warren wrote in a letter to the council. "During this interim period, we do not believe that the property can support any additional debt service, and we ask that the loan be made at a 0% interest rate."

DHIC's purchase of the property is expected to calm fears that Washington Terrace could be redeveloped in a way that would price out its existing low-income tenants.

In a sales prospectus earlier this year, real-estate firm Cushman & Wakefield wrote that Washington Terrace – emerging from foreclosure – has "classic redevelopment potential" in an area ripe for gentrification. The firm said the current \$548 average monthly rents could potentially increase by more than 90 percent.

When the document became public, Washington Terrace residents worried they'd soon be forced out of their homes into a city where affordable housing is increasingly hard to come by.

Within weeks, DHIC got the city council's initial support for buying the complex. Warren has said his agency has been looking at the complex since it went into foreclosure. The apartments were sold at auction to Fannie Mae last year for \$5.8 million. Fannie Mae then sold the property to Ocwen – one of the nation's largest mortgage servicers.

Built in 1950, Washington Terrace has small, multifamily homes spread over 20 acres between St. Augustine's University and North Raleigh Boulevard. Warren notes in his letter that the complex needs work.

"We have watched this property deteriorate over the years under ownership by out-of-state interests who have little regard for the impact that this development has on the College Park-Idlewild neighborhood, St. Augustine's University and the City of Raleigh," he wrote.

If approved Tuesday, the \$2.1 million loan would come from city bond funds devoted to affordable housing projects, according to the city's community development director, Michele Grant. While the loan won't carry interest, the funding has strings attached, requiring rents deemed affordable for residents who make 60 percent or less of the area median income.

Warren says he is committing to maintaining affordable housing at Washington Terrace, but that doesn't mean the aging community won't see change. Warren's letter mentions plans to "redevelop" the site – with additional funding from the city – and he notes that demolishing the existing buildings could cost \$1 million.

"This is a unique opportunity that has the promise to make a transformational change to the College Park-Idlewild community," the letter concludes. "We hope that the City of Raleigh can join with us to secure the future of this critical property."

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