

**Southeast Capital, LLC: Edgewood Apts., LLC and Parkview Apts., LLC
Edgewood House and Parkview House Apts.**

Project Address:

**2501 Edgewood Ave. CLT#: 069IA02701
2226 Parkview Ave. CLT#: 082OM013**

Recommended amount: \$570,000 (25 Affordable Rental Development units)

Contact: David Varner President Southeast Capital, LLC – Developer

City Council: District 4 (Edgewood Ave.) and District 6 (Parkview Ave.)

Project Description/Affordability: Edgewood Apts., LLC and Parkview Apts., LLC, are developing 25 multifamily units, through Southeast Capital, LLC, for low-income households on two currently unused parcels. The first parcel, 197.57M x 175.39M at 2501 Edgewood Ave. zoned C-N, is the site of an abandoned car wash where 15 units are planned (studio units averaging 418 sqft). The second, 65M x 170M at 2226 Parkview Ave, zoned RN-4, is an unused tract in a neighborhood where 10 units are planned (8 studio units at 400 sqft and 2 1-bedroom units at 500 sqft). The 25 studio and 1-bedroom flats are using the Missing Middle Design Standards, keeping the buildings under two- and one-half stories. Though only one handicap accessible unit per building is required, all ground floor units will be designed as adaptable to convert to a fully ADA compliant unit as needed. The Energy Star certified units, which will be framed with a combination of Hardie plank and brick, will offer these amenities: washer/dryer hook ups with washer/dryer provided, stove, refrigerator, microwave, dishwasher, ceiling fans, blinds, LED lighting, low flow plumbing fixtures, and luxury vinyl plank flooring. Property amenities include a computer and community room offering a space for residents to meet with management, seating area, bike rack, enclosed dumpsters, high tech security features such as camera systems to monitor the parking lots and hallways, and electronic access into the buildings and to each unit. Both properties are serviced by Knoxville Area Transit, ensuring access to shopping, parks, churches, grocery, and convenience markets: Route 15 in front of Edgewood and Routes 31 and 35 within 2 blocks of Parkview. The developer is working closely with KUB to get resident internet provided at a very reasonable rate. Unit utilities are all electric, and water/sewer is provided by the owner. The project addresses a need in the community for affordable housing for low-income families and families who receive a Housing Choice Voucher. Even though there is no other financial layering requiring this development to serve low-income households, the owner is opting to restrict all units for persons earning less than or equal to 80% AMI. The affordability period is 20 years.

Energy Efficiency/Accessibility: Construction Management Supervisor Doug Sherrod has reviewed the plans and determined that they meet our standards for accessibility, fair housing and energy efficiency. This developer plans to utilize Two Oaks Architecture to assist with energy star certification, meeting or exceeding the 2018 International Building Code and the 2018 International Energy Conservation Code.

Contractor/Bid Process: The LLCs have chosen Varner Homes and Development, a local company, as the contractor. Varner Homes and Development has successfully completed other

beautiful apartment development projects with the LLCs' parent company, Southeast Capital, LLC.

Construction Costs: \$1,780,000 (\$71,200/unit). Total hard costs with 5% contingency come to \$2,049,000 (\$81,960/unit).

The total estimated development costs for the 25 units are \$3,009,820, which is an average of \$120,392.80 per unit. This entails hard costs and contingency, acquisition (\$180,000), and soft costs (\$960,820).

Financial: The project will take on an \$1,800,000 mortgage loan at 6.55% interest for a 30-year amortization. City Affordable Rental Development Program funds in the amount of \$570,000 have been requested; \$360,000 is planned for the Edgewood units and \$210,000 is planned for the Parkview units. An equity contribution of \$168,947 by Southeast Capital, LLC and a deferred developer fee of \$470,873 will round out the sources to \$3,009,820. The proforma for 25 units shows a positive cash flow every year, beginning with a 1.33 DCR; a 1.20 minimum is required by the permanent loan. A 10-year Payment In Lieu of Taxes has been requested to allow the properties to cash flow at an acceptable level. The Net Operating Income for year 11 has been adjusted to allow for the increase in taxes.

Neighborhood Input: The LLC's reached out to the two affected neighborhood groups: Edgewood Park Neighborhood Association and Morningside Heights HOA. A meeting with Edgewood neighborhood group proved positive, and they are willing to speak to City Council on behalf of the project. The Morningside Heights HOA are very excited about the Parkview building plans, and close neighbors are happy that this development will put an end to frequent illegal dumping on the lot.

As required by the Infill Housing Overlay (IH), the Edgewood Park parcel received Design Review Board approval on November 20, 2024. The design for Parkview Missing Middle was approved January 16, 2025.

Timeline: Anticipated completion is first quarter 2026.