EXHIBIT "A"

CONSTRUCTION LOAN FINANCING PLAN SUMMARY

~- 232-64	20
Board of Aldermen — Action Request Form	
Date: _May 4, 1997	
To: The City Manager	
From: Monica R. Lett, Director - Housing/Neighborhood Development Director	
Board Action Requested:	
Authorize adoption of Construction Loan Guidelines to be used in the implementation of the City's rehabilitation, home improvement and new construction programs.	s
Summary Of Information:	
The Comprehensive Housing Market Analysis and Needs Assessment undertaken by the City in recommended the expansion of Housing Development programs geographically and expanding programs assistance tools and mechanisms to facilitate affordable housing production. The development construction loan program was one of the recommended tools. This program is shown as a part of the Cive Year Plan, but definitive program guidelines have not been adopted. Much of the financing provided by the City is Permanent mortgage financing, also used for construct specifically rehabilitation financing and specifically single-family and small-scale projects. Increasingly City is providing permanent financing for large-scale projects after completion of construction, how some new construction projects, City financing has also been provided for construction, in tandem with construction financing, and "rolled-over" to permanent financing upon completion. These projects included non-profit sponsored projects such as the Ivy Arms development and single-family new construction small scale builders. In these instances the City was providing only a small portion of the permafinancing with the balance derived from other private market sources. The City does not, however, he mechanism to provide needed construction financing when permanent financing is not provided by the but is coming from private market sources.	of a City's ction, y, the vever, bank have action anent ave a
The proposed construction loan program will provide assistance in two ways: (1) single-family construction, rehabilitation, purchase-rehabilitation and small-scale, multi-family developments of fifty units or less that are sponsored, owned and/or developed by non-profits; and (2) new construction rehabilitation of single-family units by Section 3, M/WBE, or SBA for-profit developer/contractors. Exammarizes the parameters of the program and this action authorizes the development of defining guidelines to be reviewed, approved and implemented by the City Manager. An appropriate resolution attached.	(50) on or chibit nitive
Committee Action:	
Committee Finance 5/12/97 Action Approval	-
For Remarks Unanimous Against	

D-25284

RESOLUTION OF THE BOARD OF ALDERMEN AUTHORIZING ADOPTION OF CONSTRUCTION LOAN GUIDELINES TO BE USED IN THE IMPLEMENTATION OF THE CITY'S REHABILITATION AND NEW CONSTRUCTION PROGRAMS

WHEREAS, there is an urgent need to conserve and substantially improve existing housing and to facilitate the production of affordable rental and owner housing; and

WHEREAS, the City is engaged in providing financing for the conservation, rehabilitation and new construction of housing affordable for lower income households; and

WHEREAS, the City is committed to increasing the leverage of public funds in the development of affordable housing through tandem financing arrangements and loan guarantees; and

WHEREAS, the City desires to implement a Construction Loan program as an expansion of the available financing tools to increase the leverage of public funds and availability of permanent mortgage resources from private market sources.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Aldermen that the Construction Loan Financing Plan Summary, is hereby approved in substantially the form of Attachment "A" attached hereto, and incorporated herein by reference.

BE IT FURTHER RESOLVED, that the Board of Aldermen authorizes the City Manager or his designee to review and approve final terms and conditions of financing for specific properties as agreements are negotiated and contracts entered into.

MAY 1887

CON-LOAN/HND25

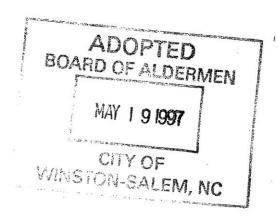


EXHIBIT "A" CONSTRUCTION LOAN FINANCING PLAN SUMMARY

Purpose

To facilitate new construction and rehabilitation of affordable housing through the provision of construction financing for projects with permanent financing commitments from sources other than the City of Winston-Salem.

Eligibility

Single-family new construction, single-family rehabilitation or purchase-rehabilitation, multi-family developments of fifty (50) units or less sponsored, owned and/or developed by non-profit corporations and new construction or rehabilitation of single-family units by Section 3, M/WBE, Small Business developer/contractor.

General Terms:

- A construction loan may be provided for new construction or rehabilitation of property to be occupied by low or moderate income households. Projects with commitments for permanent financing to be derived from other sources will be eligible for construction loan financing which may be provided in the form of a loan guarantee for a portion of the construction financing.
- Eligible borrowers are non-profit corporations holding 501© taxexempt status and for-profit developers/builders certified under the Section 3, M/WBE or Small Business Administration programs.
- 3) General contractors constructing projects must be certified by Housing and Neighborhood Services for rehabilitation or Housing/Neighborhood Development for new construction. Contractors must be State licensed for projects requiring such licensure.
- 4) Financing eligibility requires attainment of zoning, subdivision and site plan approvals as applicable.
- 5) Financing eligibility requires construction plan approval by Housing/Neighborhood Development construction management staff and attainment of all requisite permits as defined by type, scale and scope of project.
- 6) Project owner/sponsor will provide liability insurance and contractor will provide builder's risk, workmen's compensation and liability insurance consistent with City policy for size, type and scale of project.
- All regulatory program requirements and conditions, as dictated by the source of funds used, must be complied with: Davis-Bacon, environmental review, ADA/504, EEO etc.

Underwriting:

Specific interest rate and loan terms will be determined by the scale, size and type of project. Rates and terms, consistent with those used for non-profit sponsored projects, may be more liberal than those utilized for the CDBG and HOME Investor programs.

- 1) Loan Amount The maximum loan amount shall not exceed the lesser of:
 - a) 75% of market value, or
 - b) total construction cost, minus profit and overhead.
- 2) Loan Term The term of the loan shall be for the construction period, determined by the Department of Housing and rehabilitation Neighborhood Services for Housing/Neighborhood Development for new construction, consistent with the scale and type of project; and shall be from the date of closing to the scheduled completion date, ("completion date").

3) Interest Rate

- a) Non-Profit Projects: The loan shall bear no interest over the construction period. Loans not closed under permanent financing by the completion date shall revert to an interest rate of three (3) percent for three (3) months following the completion date and increase to six (6) percent for any period six months beyond the completion date.
- b) For-Profit Projects: The interest rate shall be six (6) percent over the construction period. Loans not closed under committed permanent financing by the completion date shall revert to an interest rate of nine (9) percent for any period subsequent to the completion date.

Financing Source: CDBG and Housing Stimulation program funds may be utilized to fund construction financing loans.

Review/Approval: Development of definitive program guidelines and loan review and approval of specific projects, as contracts are negotiated and entered into, will be provided by the City Manager or his designee in accordance with the parameters outlined above. Loans exceeding \$250,000 will be approved by the Board of Alderman prior to the final commitment of construction loan funds.

Loan Closing:

Standard Requirements for loan closing include, but are not limited to opinion of counsel, attainment of title and liability insurance policies and compliance with regulatory requirements of the program funding source used.