

Information Item

Date: December 21, 2018

To: The City Manager

From: Marla Y. Newman, Community Development Director
Tasha Logan Ford, Assistant City Manager

Subject: Deobligation of uncommitted HOME funds from program year 2014.

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: No

Strategic Plan Action Item: No

Key Work Item: No



In 2013 the City of Winston-Salem entered into a development agreement with Unity Builders for the construction of 5 single family affordable homes in Ridgewood Place subdivision, using \$550,000 in HOME funds. Also in 2013, the City entered into a development agreement with S.G. Atkins Community Development Corporation for the construction of 5 single family affordable homes in the East End Redevelopment Area, using \$600,000 in HOME funds.

The Community Development Department was notified by HUD in October 2018 that two (2) projects – Ridgewood Place (1 house) and East End Redevelopment Area (5 houses) – had failed to meet the statutory construction completion deadline of June 2017, necessitating a deobligation of HOME funds in the amount of \$811,000 for the current funding year (FY18).

Upon investigation by staff, the following was determined:

Ridgewood Place

6/19/2013 Development agreement executed with Unity Builders

6/19/2013 Ridgewood project set up in HUD system as activity #2332

8/19/2013 Payments to Unity begin (clearing and grading of lots)

8/23/2014 Noel Taylor, Unity's General Contractor, died

2/3/2016 Unity assigns interest in Ridgewood to S.G. Atkins CDC

5/2/2016 City enters into Independent Contractor Agreement with ALW Corp, Inc. for completion of unfinished house on Lot 13 using HOME funds.

1/13/2017 Lot 13 (3225 Ridgeback Drive) house passes final inspection

3/3/2017 Dispute arises with ALW Corp re: punch list items, delays close-out of construction loan

4/6/2017 Email from HUD that activity #2332 and #2333 would be involuntarily terminated in 90 days if the projects were not completed “within four (4) years of the execution dates of the written agreements as required by HOME regulations”

6/8/2017 Buyer purchase contract for Lot 13/3225 Ridgeback Drive signed

6/19/2017 HUD regulatory completion deadline

8/21/2017 Closing with buyer of Lot 13/3225 Ridgeback Drive

9/21/2017 Final construction payment to ALW Corp for Lot 13/3225 Ridgeback Drive construction (satisfies HUD regulatory completion requirement)

East End

6/17/2013 Development agreement executed with S.G. Atkins CDC

6/28/2013 East End project set up in HUD system as activity #2333

3/10/2014 HOME payments for acquisition begins

3/10/2017 Closing of 1st construction loan

4/6/2017 Email from HUD that activity #2332 and #2333 would be involuntarily terminated in 90 days if the projects were not completed “within four (4) years of the execution dates of the written agreements as required by HOME regulations”

6/28/2017 HUD regulatory completion deadline

5/9/2018 Notice from HUD to repay the \$59,025.84 in HOME funds expended to date on the project

5/23/2018 \$59,025.82 repaid to HUD

Staff has consulted with HUD program staff in Greensboro on numerous occasions since the initial contact in October 2018, and also requested technical assistance from HUD staff in the Washington, DC Headquarters office.

Upon clarification by HUD of the circumstances triggering the deobligation, staff negotiated for the entire \$811,000 to be taken from uncommitted 2014 program funds. Doing so enables the entire 2018 HOME program funds of \$1,378,614 to be allocated to the City of Winston-Salem as originally granted and protects all current year projects as committed.

Going forward, staff is instituting new funding guidelines, to be included in all grant and development agreements, setting forth criteria for recapture and reallocation of funds when performance is delayed and on-time project completion is in jeopardy. These guidelines are also

in response to recommendations from the HUD review of 2017 activities conducted April 16-20, 2018. HUD's monitoring report recommended Corrective Action number 5 wherein "Winston-Salem is to work on plans to ensure that funds are expended by the deadline." The new guidelines are attached and will be forwarded to the local HUD office.