

Date: December 11, 2023

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Patrice Toney, Assistant City Manager
Tanya Skillman, Assistant Housing Development Director

Subject: Presentation on Development of 17-unit Single-Family Subdivision on a City-Owned lot Located on Sides Road (Southeast Ward)

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Promoting the Development of Affordable Housing

Strategic Plan Action Item: Yes

Key Work Item: Yes



The rising cost of development and the current mortgage interest rates have priced many potential homebuyers out of the market. The development of workforce homeownership opportunities provides another tier of support that strengthens our neighborhoods with the benefit of mixed income development which will continue to stimulate economic investment and growth in the City of Winston-Salem.

J&L Construction seeks gap financing to build a mixed income development consisting of 17 single family homes available for homeownership; 11 of the homes will be set aside for workforce homeownership. The development plan includes conveyance of City-owned land in the Southeast Ward near the intersection of Sides Road and Kingstree Ridge Drive. For reference, see Exhibits A and B.

To support affordability for the homeownership, the land will be conveyed to the developer for \$1. Additionally, the City will provide a forgivable loan to the developer in the amount of \$879,525 that will be drawn down during construction. The funds disbursed from the City during construction will help to reduce some of the interest carrying costs which potentially allows additional savings that can be passed to the homebuyers at closing.

Homeowners will sign a secured 15-year loan equal to the appraised value less the sales price with the City at Closing. A portion of the loans will be forgiven annually over the 15-year term. The balance of the loan must be repaid if the owners decide to sell before the term of the loan ends.

In the alternative, if the appraised value of the home is equal to the subsidized sales price, then the full value of the loan will be forgiven for the homeowner (and the corresponding percentage of the loan to the developer) at Closing.

Market sales prices for the homes with the City’s investment are estimated to range from \$314,456 to \$338,957. These sales price is consistent with other home prices in the neighborhood. Please refer to MLS listing in Exhibit C. The subsidized sales price available for workforce homeownership will range from \$236K to \$255K. J&L will be selling 6 units at the market sales price. The proposed set asides are listed below:

Model Type	AMI Target	# of Units	Estimated Subsidized Sales Price
Model A	81%-120%	2	\$ 254,501
Model B	81%-120%	9	\$ 235,499
Model A	>120%	6	\$ 338,957
Total		17	

The forgivable loan for the project will funded with ARPA Revenue Replacement Funds. The available sources for the project are the following:

City Owned Lot	\$1
City Forgivable Loan	\$879,525
Developer’s Construction Loan	<u>\$4,662,235</u>
Total Development Costs	\$5,541,761

The City’s per unit investment is as follows:

Loan Subsidy	Land Value	Total Subsidy
Per unit	Per unit	Per unit
\$ 51,737	\$ 13,759	\$ 65,496

The houses will be subject to a 15-year affordability period and restrictions pursuant to the Housing Justice Act and Affordable Housing Ordinance