

City Council – Action Request Form

Date: August 11, 2025

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

From: Samuel Hunter, Assistant Neighborhood Services Director
Shantell McClam, Neighborhood Services Director
Angel Wright-Lanier, Assistant City Manager

Council Action Requested:

Resolution Authorizing Additional Funding for Phase 2 and 3 of the Choice Neighborhood Initiative.

Strategic Focus Area: Economic Prosperity

Strategic Plan Objective: EP1: Addressing housing affordability and homelessness

Summary of Information:

The Housing Authority of Winston-Salem (HAWS), in partnership with the City of Winston-Salem as Co-Applicant and McCormack Baron Salazar (MBS) as Developer, has been awarded a \$30,000,000 Choice Neighborhoods Implementation (CNI) Grant from the U.S. Department of Housing and Urban Development (HUD) to redevelop the Cleveland Avenue Corridor. Phases 2-5 of the CNI grant consist of demolition of Cleveland Avenue Homes public housing in phases and redevelopment into a mixed-income, multifamily rental community. The area is bounded by New Hope Lane on the north, Cleveland Avenue on the east, existing properties fronting 14th Street on the south, and existing properties fronting Liberty Street on the west. As part of the CNI Grant the City approved \$3,000,000 in CDBG funds and \$3,000,000 in G.O. Bond fund over the six-year life of the grant.

On April 18, 2022, the City Council approved \$9,059,234 in CDBG, HOME, G.O. Bond, Economic Development, and ARPA revenue replacement funds for Phase 2 to consist of 72 units, of which 41 units would be affordable to households below 80% of area median income (AMI) and 31 units affordable to households from 80%-120% AMI. On August 15, 2022, the City Council authorized reallocating \$600,000 in Economic Development funds from Phase 2 to Phase 1.

Committee Action:

Committee	GG 8/11/2025	Action	Approval
For	Unanimous	Against	

Remarks:

In order to realize cost savings, reduce construction time, and meet the CNI Grant deadlines, development of Phases 2 and 3 will be undertaken at the same time. Phase 2 consists of 72 units for families along Cleveland Avenue. Phase 3 consists of 42 units for families immediately to the west of Phase 2. On April 15, 2024, the City Council approved the consolidation of funds for Phase 2 and budgeted for Phase 3 to cover costs of Phases 2 and 3 since the remaining pre-development work as well as demolition and site preparation will occur in both Phase 2 and Phase 3.

MBS has submitted a total development cost of \$31,678,026 for Phase 2 and \$20,001,940 for Phase 3. Of the \$8,459,234 previously approved by the City, \$1,484,935 in ARPA revenue replacement and \$288,890 in G.O. Bonds is already under contract with HAWS for Phase 2. A total of \$497,918 of the CDBG and G.O. Bonds approved as part of the CNI Grant is presently budgeted for Phase 3. Due to the increase costs of materials, labor, and site constraints the remaining gap for Phase 2 and 3 is approximately \$5,498,069.

As City funds are provided as “gap” financing, the final rate, terms, and lien position will be backed into upon completion of the financing package, and as determined by the requirements of HUD, NCHFA, and the first mortgage loan. Restrictive covenants put on the property by the City would be subordinate to those of HUD for the CNI funds and the North Carolina Housing Finance Agency for the Tax Credits. The City’s deed(s) of trust would be subordinate to the first mortgage and the CNI funds.

A resolution to provide a total of up to \$3,000,000 in Affordable Housing funds for Choice Neighborhoods Phase 2 and 3 as outlined is presented for consideration. The agreement(s) may be with the ownership entity of the rental units or with HAWS, and funds may be disbursed to HAWS or MBS. The commitment is subject to attainment of all other sources of financing, availability of City funds, and completion of construction in compliance with applicable federal, state, and local provisions and to the Resolution.