

**EXHIBIT A FOR 2023 RESOLUTION
CITY OF WINSTON-SALEM
CONSTRUCTION LOAN PROGRAM GUIDELINES**

I. GENERAL

- A. Purpose – The purpose of the Construction Loan Program is to facilitate new construction and rehabilitation of affordable housing for low and/or moderate-income persons as defined in City Code Section 2-9 or the applicable funding source through the provision of construction financing for projects with permanent financing commitments from sources other than the City of Winston-Salem.
- B. Financing Sources –CDBG, HOME, ARPA Revenue Replacement Funds, and other local funds so designated by City Council may be utilized to fund construction loans. The financing source utilized for any given loan shall be in the sole and absolute discretion of the City and consistent with any and all regulations promulgated by the funding source.

II. ELIGIBILITY

- A. Eligible Areas – The property on which construction will take place must be located within the city limits of Winston-Salem.
- B. Eligible Properties
 - 1. Single-family new construction, single-family rehabilitation or purchase-rehabilitation, and multi-family developments of fifty (50) units or less sponsored, owned and/or developed by non-profit corporations.
 - 2. The maximum number of units for which a Borrower may receive financing will be governed by a development agreement and determined on a case-by-case basis, in the City’s sole and absolute discretion. A Borrower may not receive financing for more than two (2) “model” units (i.e., a unit that is not pre-sold) in one neighborhood at one time.
- C. Eligible Borrowers – Eligible borrowers are non-profit corporations holding 501(c) tax-exempt status and for-profit developers/builders that qualify for certification under the Section 3, M/WBE or Small Business Administration programs.

III. BASIC TERMS AND CONDITIONS OF ASSISTANCE

Specific interest rate and loan terms will be determined by the scale, size, and type of project.

A. Loan Amount

1. If the Borrower is a for profit developer/builder, the maximum loan amount shall not exceed the lesser of the following plus an amount to cover the City's costs.
 - a. 80% of market value, or
 - b. total construction cost, minus profit and overhead.
2. If the Borrower is a non-profit, the loan amount is intended to cover the construction cost; the City's costs, e.g. legal, environmental, advertising; maintenance costs during the Construction Period, e.g. mowing, alarm system, insurance; and any development fee approved by the City.

B. Loan Term – The term of the loan shall be for the Construction Period, determined by the Housing Development Department consistent with the scale and type of project; and shall be from the date of closing the scheduled completion date (“Completion Date”). The Construction Period may be extended, in the City's sole and absolute discretion, provided that the Borrower has made diligent and reasonable efforts to sell the unit.

C. Interest Rate

1. Non-Profit Projects: The loan shall bear up to 3.5 percent interest over the Construction Period. Loans not closed under permanent financing by the completion date shall bear an interest rate of up to 5.5% beyond the completion date.

A developer/builder who is working directly with an eligible non-profit may receive the interest rate provided to non-profit projects.

2. For-Profit Projects: The interest rate shall be up to 5.5 percent over the construction period. Loans not closed under committed permanent financing by the completion date shall revert to an interest rate of up to 6.5 percent for any period subsequent to the completion date.

D. Collateral – The construction loan will be secured by a first-lien deed of trust on the property.

E. Repayment – The loan shall be repaid upon sale to the buyer. If, due to market conditions, the sales proceeds are not sufficient to repay the loan, the City may, in its sole and absolute discretion, accept less than the loan balance and treat the difference as a grant to the Borrower. The city manager has the authority to approve a repayment deficiency grant that does not exceed \$100,000. However, if the gap or

deficiency in repayment exceeds \$100,000 then City Council approval shall be required.

IV. CONDITIONS

- A. Low- and-Moderate Income Occupancy – 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.
- B. Contractor Certification – All General contractors, subcontractors and consultants must demonstrate experience, financial capacity and have state and local licensure as required for development and construction of the project.
- C. Land Use – Projects must attain zoning, subdivision, and site plan approvals, as applicable.
- D. Plans and Permits – Project construction plans must be approved by Housing Development construction management staff, and the project must attain all requisite permits as defined by type, scale, and scope of project.
- E. Insurance – Project owner/sponsor will provide liability insurance, and contractor will provide builder's risk, workers' compensation, and liability insurance consistent with City policy for size, type, and scale of project.
- F. Regulations – All regulatory program requirements and conditions, as dictated by the source of funds used, must be complied with, including but not limited to, Davis-Bacon, Section 3, environmental review, ADA/504, EEO, Housing Justice Act including the required Declaration of Restrictive Covenants and Conditions with a 15-year affordability for single family homes and a 30-year affordability period for multifamily properties and the City's NDO.
- G. Construction – The builder/general contractor may not proceed with construction until the City's first lien deed of trust has been recorded City staff will monitor construction in progress to ensure that work is satisfactorily completed per the contract documents.
- H. Homebuyer Data – All Borrowers will be required to provide homebuyer data to the City, including, but not limited to, race, ethnicity, annual income, household size, household type, age of householder, and amounts and types of permanent financing.

V. LOAN CLOSING

Standard requirements for loan closing include, but not limited to, title searches, opinion of counsel, attainment of title and liability insurance policy, credit and background checks, Environmental Reviews, Construction Plan and Cost Reviews and compliance with regulatory requirements of the program funding sourced used for the project.

VI. DEADLINE FOR COMPLETION OF PROJECT

The project must be completed within two years of the loan closing. The city manager has the authority to extend the deadline for completion for cause and for a reasonable time period.

VII. CAPITAL STACK

The borrower must identify the capital stack for the project for which the borrower has requested gap financing from the city. Borrower must expend funds from other sources before utilizing the city's funds. The city's funds must be the last source of funds utilized in the project. However, the city manager shall have the authority to allow the city's funds to be expended in tranches with the first tranche consisting of a significant portion of the borrower's other source(s) of funds.

VIII. REVIEW/APPROVAL

The loan review and approval of specific projects shall occur in accordance the guidelines set forth herein. The City Manager or his designee shall have the authority to negotiate and execute contracts within the parameters outlined above. Loans exceeding \$250,000 will require approval of City Council prior to the final commitment of construction loan funds. The City Manager shall provide a quarterly report of loans approved by said office under these guidelines.