

City Council – Action Request Form

Date: April 11, 2022

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

From: Patrice Toney, Assistant City Manager
Marla Y. Newman, Community Development Director

Council Action Requested:

Resolution Authorizing Permanent Financing for an 81-Unit Family Rental Development in Phase 1 of the Choice Neighborhoods Initiative

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: No

Strategic Plan Action Item: No

Key Work Item: No



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, which is bounded by East Third Street on the south, East 25th Street on the north, Patterson Avenue on the west, and Cleveland/File/Dunleith/Jackson Avenues on the east.

Phase 1 of the CNI grant is under way, which consists of redevelopment of the former Brown Elementary School site, located at 1125 Highland Avenue, into multifamily rental housing for low-income families. MBS has been awarded 2021 Low-Income Housing Tax Credits for Phase 1. Due to increasing construction costs and input from HUD on the amount of CNI funds to be used in Phase 1, MBS and HAWS are requesting HOME funds for Phase 1.

Committee Action:

Committee	Finance 4/11/22	Action	Approval
For	Unanimous	Against	

Remarks:

The development will consist of 81 units, including 31 one-bedroom, 34 two-bedroom, 14 three-bedroom units, and two four-bedroom units.

Unit Count by Area Median Income				
<30%*	31-50%*	51-60%	<120%	Total Units
21	22	8	30	81
*Units will receive Project Based Vouchers through HAWS.				

Community amenities include management/lease office, fitness center and maintenance support space. Unit amenities include full size refrigerator, electric range, combination microwave/range hood, dishwasher and full-size side-by-side washers and dryers. Rents will range from \$585 per month for a one-bedroom unit to \$1,177 for a four-bedroom unit. The development also has public right of way through the property.

MBS has submitted a total project cost of \$21,611,522 for the Phase 1 rental units. Proposed financing for the development consists of a conventional bank first mortgage loan, the Choice Neighborhoods funds from HUD, City HOME funds in third lien position, and funds derived from the tax credits. The preliminary sources are summarized as follows:

First Mortgage	3,822,000
Choice Neighborhoods Funds	8,440,302
Tax Credit Equity	8,849,120
City – HOME	500,000
<u>General Partner Equity</u>	<u>100</u>
TOTAL DEVELOPMENT SOURCES	21,611,522

The agreement will be with the ownership entity of the rental units, not with HAWS. As City funds are provided as “gap” financing, the final rate and terms will be backed into upon completion of the financing package, and as determined by the requirements of HUD, NCHFA, and the first mortgage loan.

A resolution to provide a \$500,000 subordinate mortgage loan in HOME funds for the Choice Neighborhoods Phase 1 rental units is presented for consideration. The commitment is subject to attainment of all other sources of financing, availability of City funds, and completion of construction in compliance with the provisions of the attached Exhibit A to the Resolution. Funds are appropriated for this purpose.

The Mayor and City Council approved \$1,500,000 of CDBG funds and \$1,844,440 of General Obligation Bond funds in February 2022 for Phase 1. These funds were awarded to HAWS for demolition, clearance, and publicly owned infrastructure. The total cost for Phase 1, including, housing, site, and predevelopment costs, is approximately \$29 million.