

City Council – Action Request Form

Date: February 14, 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 CDBG and General Obligation Bond funds for 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. The primary focus of CNI funds will be the demolition and redevelopment of the Cleveland Avenue Homes public housing development into a mixed-use, mixed-income development. Development of the former Brown Elementary School site into multifamily rental housing as well as other improvements in the area are also planned.

In August 2019, the Mayor and City Council approved commitments of a total of \$3,000,000 in Community Development Block Grant (CDBG) funds and \$3,000,000 in General Obligation Bond funds over the six-year grant period. To date, \$197,897.66 in CDBG funds and \$31,909.57 in bond funds have been disbursed for environmental consulting.

Committee Action:

	Finance 2/14/22 CDHGG 2/15/22	Action	Approval
Committee			
For	Unanimous	Against	

Remarks:

Phase 1 of the CNI grant is under way, which consists of redevelopment of the former Brown Elementary School site into multifamily rental housing for low-income families. 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%	31-60%	<120%	Total Units
37*	14	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. The North Carolina Housing Finance Agency has awarded 2021 Low-Income Housing Tax Credits for Phase 1.

Use of federal funds for the construction of housing requires completion of an environmental review and obtaining a Release of Funds from HUD. Due to previous uses of the property and evidence of contamination on the site (e.g. underground fuel tank, asbestos), both a Phase 1 and Phase 2 Environmental Site Assessment are being completed, and MBS has applied for the property to be approved by the Brownfields Program Environmental Management Plan in the North Carolina Department of Environmental Quality.

MBS has submitted a total project cost of \$29,239,970 for Phase 1. The budget proposes using \$1,500,000 in CDBG funds and \$1,844,440 in General Obligation Bond funds. CDBG regulations prohibit using CDBG funds to construct housing. However, CDBG funds may be used to support the construction of housing in very limited ways, namely acquisition, clearance (including demolition and remediation of environmental hazards), and publicly owned infrastructure.

First Mortgage	4,254,000
Choice Neighborhoods Funds	10,942,300
Tax Credit Equity	8,699,230
City – GO Bonds	1,844,440
<u>City – CDBG</u>	<u>1,500,000</u>
TOTAL DEVELOPMENT SOURCES	27,239,970

The accompanying resolution authorizes up to \$1,500,000 in CDBG funds and up to \$1,844,440 in General Obligation Bond funds for eligible uses in Phase 1 of the CNI grant. The agreement would be with HAWS, and funds may be disbursed to HAWS or MBS. Any restrictive covenants the City were to put on the property would be subordinate to those of HUD for the CNI funds and the North Carolina Housing Finance Agency for the Tax Credits. Any deed of trust would be subordinate to the first mortgage and the CNI funds. The bond funds and two years (\$1,000,000) of the City’s commitment of CDBG funds have been appropriated. The accompanying project

budget ordinance appropriates \$175,000 in projected FY22 CDBG program income and moves \$325,000 within the CDBG budget for Phase 1.