

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 Funding for Phase 2 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. 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.

MBS is applying for 2022 Low-Income Housing Tax Credits from the North Carolina Housing Finance Agency (NCHFA) for Phase 2. An applicant for tax credits proposing to use government gap financing must include a letter of binding commitment from the local government in its application to NCHFA, which is due May 13, 2022. NCHFA will set aside tax credits for one project with CNI funds, and the Winston-Salem CNI project is the only applicant for the set-aside.

The Phase 2 development is located along Cleveland Avenue and will consist of 72 units, including 32 one-bedroom, 34 two-bedroom, and 6 three-bedroom units.

Committee Action:

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

Remarks:

| Unit Count by Area Median Income | | | | |
|--|----------------|---------------|-----------------|--------------------|
| <30%* | 31-50%* | 51-60% | <120% | Total Units |
| 18 | 7 | 16 | 31 | 72 |
| *Units will receive Project Based Vouchers through HAWS. | | | | |

Community amenities include management/lease office, ornamental fencing, and playground. Unit amenities include full size refrigerator, electric range, combination microwave/range hood, dishwasher and full-size side-by-side washers and dryers. Proposed rents will range from \$730 per month for a one-bedroom unit to \$1,183 for a three-bedroom unit.

MBS has submitted a total project cost of \$22,487,944 for the Phase 2 rental units. Proposed financing for the development consists of a conventional bank first mortgage loan, the Choice Neighborhoods funds from HUD, City HOME funds, City ARPA Housing Funds, City Economic Development funds, City CDBG and G.O. Bond funds, and funds derived from the tax credits. The preliminary sources are summarized as follows:

| | |
|----------------------------------|-------------------|
| First Mortgage | 3,035,000 |
| Choice Neighborhoods Funds | 1,694,480 |
| Tax Credit Equity | 8,699,130 |
| City – HOME | 500,000 |
| City – ARPA Housing | 4,495,344 |
| City – Economic Development | 3,400,000 |
| City – G.O. Bond | 288,890 |
| City – CDBG | 375,000 |
| General Partner Equity | 100 |
| TOTAL DEVELOPMENT SOURCES | 22,487,944 |

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 \$9,059,234 in City funding for Choice Neighborhoods Phase 2 as outlined above 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 the provisions of the attached Exhibit A to the Resolution.

The CDBG, HOME, G.O. Bond and ARPA funds allocated by this action shall not be used to pay or otherwise compensate the project developer, nor shall the proportional cost of any goods or services funded by these funds be included within the basis by which developer compensation is determined.