

## City Council – Action Request Form

**Date:** August 8, 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 Reallocating Funding From Phase 2 to 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. On April 18, 2022, the Mayor and City Council approved \$500,000 in HOME Investment Partnership (HOME) funds for development of 81 units of multifamily rental housing in CNI Phase 1, which is the former Brown Elementary School site. Also on April 18, 2022, the Mayor and City Council approved a total of \$9,059,234 in City funding for development of 72 units of multifamily rental housing in CNI Phase 2, located along Cleveland Avenue between New Hope Lane and properties fronting 14<sup>th</sup> Street. This funding consisted of ARPA Housing, Economic Development, HOME, CDBG, and General Obligation Bond funds.

Due to the delay in HUD’s review and approval process for Phase 1 and subsequent increases in construction costs, Phase 1 faced a \$1.4 million funding gap. However, HAWS and MBS have been able to bring the gap down to \$586,000, and HAWS is requesting the City’s assistance to close the gap.

**Committee Action:**

<b>Committee</b>	Finance 8/8/22	<b>Action</b>	Approval
<b>For</b>	Unanimous	<b>Against</b>	

**Remarks:**

HAWS is requesting that the City reallocate City funding approved for Phase 2 to Phase 1. According to HAWS, these funds will be replaced in Phase 2, and there will be no increase in City funding. Staff recommends approving \$600,000 in Economic Development funds for the reallocation. The revised sources for Phase 1 are summarized as follows:

First Mortgage	3,698,000
Choice Neighborhoods Funds	8,853,136
Tax Credit Equity	8,849,115
City – Economic Development	568,000
City – HOME	500,000
Deferred Developer Fee	\$400,000
<u>General Partner Equity</u>	<u>100</u>
TOTAL DEVELOPMENT SOURCES	22,886,351

As with the original approvals of funding for Phase 1 and Phase 2, 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 reallocate \$600,000 in Economic Development funds from CNI Phase 2 to CNI Phase 1 as outlined above and a project budget ordinance are 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. All conditions of the original approvals for CNI Phase 1 and CNI Phase 2 apply.