

SUMMARY OF CONSTRUCTION LOAN PROGRAM AND AMENDMENTS
November 8, 2023

Category	1997 Resolution and Plan Summary	2023 Resolution and Guidelines with Recommended Changes
Purpose	Facilitate small-scale new construction and rehabilitation of affordable housing for low to moderate income persons.	Same
Eligibility/Eligible Properties	Single-family new construction, single-family rehabilitation, and multifamily development of 50 units or less for non-profits.	Same
Eligible Borrowers	Nonprofit entities. For profit developers or contractors that are certified under Section 3, M/WBE and Small Business Administration	Nonprofit entities: Same For profit developers or contractors that qualify for certification under Section 3, M/WBE and Small Business Administration. <i>Rationale for Change:</i> less restrictive developer pool but ensures that continue to target smaller developers.
Loan Amount	The lesser of: 75% of market value, or	The lesser of: 80% of market value or total construction

	total construction costs, minus profit, and overhead.	costs, minus profit and overhead. <i>Rationale for Change:</i> small business firms and nonprofits have less equity available for investment.
Interest rates	<p><u>For Profit Projects:</u> The interest rate is 6% over the construction period and 9% thereafter.</p> <p><u>Non-Profit Projects:</u> The interest rate is 0 percent over the construction period, then 3% for 3-5 months following construction completion, then 6% for any period beyond 6 months.</p>	<p><u>For Profit Projects:</u> The interest rate shall be up to 5.5% 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 after the completion date.</p> <p><u>Non-Profit Projects:</u> The loan shall bear up to 3.5% 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%.</p> <p><i>Rationale for change:</i> Lower the interest rate, long term, for both nonprofit and for-profit entities. Allows for determination of rate based on risk assessment.</p>
Eligible Areas	<p>The property on which construction will take place must be located within the city limits of Winston-Salem and in:</p> <p>Redevelopment Area approved by City Council,</p>	<p>The property on which construction will take place must be located within the city limits of Winston-Salem.</p> <p><i>Rationale for change:</i> Allow for affordable housing to be constructed and rehabilitated across the city.</p>

	<p>City-assisted subdivision, or</p> <p>The service area of a community development corporation (CDC) or other non-profit undertaking neighborhood development.</p>	
Financing Sources	CDBG and Housing Stimulation program funds.	<p>CDBG, HOME, ARPA Revenue Replacement Funds, and other local funds</p> <p><i>Rationale for change:</i> Include additional funding sources that have become available for this effort.</p>
City Manager's Loan Authority	<p>\$250,000 or less</p> <p>City Council Approval required for anything above \$250,000.</p>	<p>Same for dollar limit of the city manager's authority. However, 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 deficiency in repayment exceeds \$100,000 then City Council approval shall be required.</p>

		<i>Rationale for change:</i> encourages inclusive development in lower markets or underdeveloped neighborhoods.
Loan Closing Requirements	Opinion of counsel, title and liability insurance policies, compliance with regulatory requirements for funding source used.	Same
Other General Requirements	Builder's risk insurance, workers' compensation insurance; compliance with Davis-Bacon, environmental review, ADA/504, EEO, as dictated by funding source.	Same, plus Housing Justice Act, City NDO, Declaration of Restrictive Covenants and Conditions providing: 15-year affordability period for single-family homes and 30-year affordability period for multifamily properties. <i>Rationale for change:</i> Update requirements based upon recently adopted ordinances such as the Housing Justice Act and the City's NDO.
Additional Approvals	Zoning, Subdivision and Site Plan Approvals, as applicable	Same
Deadline for Completion of Project	The existing policy is silent on this topic.	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.

		<p><i>Rationale for change:</i> to facilitate completion of the project in a timely matter and to make sure committed funds are expended.</p>
Capital Stack	The existing policy is silent on this topic.	<p>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.</p> <p><i>Rational for change:</i> to facilitate staff's assessment of the project's viability, and borrower's commitment to the project and protect the city's funding in the project.</p>