

City Council – Action Request Form

Date: May 13, 2024

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

From: Aaron King, Assistant City Manager
Tanya Skillman, Assistant Director for Housing Development

Council Action Requested: Authorize the Sale of Four (4) Lots and \$160,000 Gap Financing for the Development of Single-Family Homes (Southwest Ward)

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Support the Development of Affordable Housing

Strategic Plan Action Item: Yes

Key Work Item: Yes



Summary of Information:

The City of Winston-Salem, acting as a housing authority pursuant to G.S. 157-3(12), and pursuant to additional community development related statutes, has the authority to make zero to low interest loans for a housing initiative that provides or increases the supply of housing for low-and-moderate persons.

Further, under S. L. 2021-44; S.B. 145, the City of Winston-Salem has the authority to convey City-owned real property for the purpose of increasing the supply of affordable housing for low-income and moderate-income persons.

Moravian Church in America, Southern Province seeks gap financing to build up to 4-single family homes available for affordable homeownership. The development plan includes conveyance of 4 scattered lots on City-owned land in the Southwest Ward. The four parcels with tax PINs are as follows:

Committee Action:

Committee CD/H/GG

Action

3 Aye / 1 Abstain (Clark)

For

Against

Remarks:

Ward	Address	Pin
Southwest	1062 S Sunset Drive	6824-78-1997.000
Southwest	1078 S Sunset Drive	6824-78-1879.000
Southwest	1064 Sunset Drive	6824-78-1779.000
Southwest	1092 S Sunset Drive	6824-78-2772.000

To support affordability for homeownership, the lots will be conveyed to the developer for \$1 each. Additionally, the City will provide a forgivable loan to the developer in the amount of \$160,000 that will be drawn down during construction. The funds disbursed from the City during construction will help to reduce some of the interest carrying costs which potentially allows additional savings that can be passed to the homebuyers at closing.

The sales price for the homes will not exceed \$194,130. As the houses are sold, the loans will be transferred as a down payment assistance loan to the homeowner. Homeowners will sign a secured 15-year down payment assistance loan equal to the appraised value less the sales price with the City at Closing. A portion of the loans will be forgiven annually over the 15-year term. The balance of the loan must be repaid if the owners decide to sell before the term of the loan ends.

In the alternative, if the appraised value of the home is equal to the subsidized sales price, then the full value of the loan will be forgiven for the homeowner (and the corresponding percentage of the loan to the developer) at Closing.

The houses will be set aside for families earning up to 80% area median income.

Model	AMI Set Aside	#of Units	Sales Price	City Subsidy	Subsidized Sales Price
Elevation 5	<80	4	\$194,130	40,000	154,130

The forgivable loan for the project will be funded with State ARPA funds. The available sources for the project are the following:

City Owned Lot	\$4
City Forgivable Loan	\$160,000
Developer's Construction Loan	<u>\$616,520</u>
Total Development Costs	\$776,524

The City's per unit investment is as follows:

Loan Subsidy	Land Value	Total Subsidy
Per unit	Per unit	Per unit
\$ 40,000	\$ 29,475	\$ 69,475

The houses will be subject to a 15-year affordability period and restrictions pursuant to the Housing Justice Act, and the Affordable Housing Ordinance.