

Information Item

Date: April 8, 2024

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

From: Patrice Toney, Assistant City Manager
Tanya Skillman, Assistant Housing Development Director

Subject: Presentation on Development of 4 Single-Family Homes on Scattered City-Owned Lots Located in the Southwest Ward

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Support the Development of Affordable Housing

Strategic Plan Action Item: Yes

Key Work Item: Yes



The Moravian Church 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. See Exhibit A

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 20-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 20-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. 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 20-year affordability period and restrictions pursuant to the HUD regulations, the Housing Justice Act, and the Affordable Housing Ordinance.