

City Council – Action Request Form

Date: February 11, 2019

To: The City Manager

From: Marla Y. Newman, Community Development Director
Tasha Logan Ford, Assistant City Manager

Council Action Requested:

Authorize City Manager or his designee to accept less than full repayment of construction loans, as needed on a case by case basis, not to exceed \$30,000 per home constructed for the remaining four (4) houses in the Ridgewood Place subdivision, and five (5) houses in the East End Revitalization Area.

Strategic Focus Area: Livable Neighborhoods
Strategic Objective: Expand Housing Assistance Programs
Strategic Plan Action Item: No
Key Work Item: Yes



Summary of Information:

Community Development Department Staff and the S. G. Atkins CDC, developer for both Ridgewood Place Subdivision and the East End Revitalization Area, have found that the cost to construct a house is sometimes greater than the purchase price, which is based on appraised value. The cost to construct a 1,200 square foot house, excluding land cost, has been between \$115,000-\$120,000 and rising in some instances to \$120,000-\$130,000. Sales price varies by location. A 1,200 square foot home in Ridgewood Place recently sold for \$120,000 while houses in the CDC’s East End Revitalization Area (Hardesty Lane) are listed for sale at \$109,000-\$115,000. The shortfall in proceeds to repay the City’s loan can range from \$10,000 to \$30,000 per house and includes subsidizing the 5% brokerage and developer’s fees.

Staff is requesting authority for the City Manager (or his designee) to facilitate the sale of these homes to a qualified buyer under current market conditions, by allowing the City to accept less than the full loan balance in repayment of these construction loans.

Committee Action:

Committee	Finance 2/11/19 CDHGG 2/12/19	Action	Approval
For	Unanimous	Against	

Remarks:

The difference, or repayment shortage, will be converted into a grant to the project. Staff is also requesting that the City Manager be authorized to grant to the project a maximum brokerage fee of 5% and a maximum developer fee of 5%, based on construction costs—the inclusion of which shall not exceed a total grant to the project in the amount of \$30,000—should a home sell for less than the full amount of the construction loan.

This authorization would apply only to construction loans under the current project development agreements for Ridgewood Place Subdivision and the East End Revitalization Area.