

Date: October 9, 2023

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

From: Patrice Toney, Interim City Manager
Tanya Skillman, Housing Development Manager

Subject: Presentation on development of 17- unit single-family subdivision on a City owned lot located on Sides Road (Southeast Ward)

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Promoting the Development of Affordable Housing

Strategic Plan Action Item: Yes

Key Work Item: Yes



J&L Construction is an experienced local builder. Their portfolio ranges from the development of starter homes to luxury homes throughout the Triad. Their headquarters is located at 3067 Waughtown St., Winston-Salem, NC 27107.

J&L seeks gap financing to build a mixed income development consisting of 17 single family homes available for sale. The development plan includes conveyance of a City-owned land in the Southeast Ward near the intersection of Sides Road and Kingstree Ridge Drive. For reference, see Exhibits A and B.

To keep the price point down for the buyers, the land will be conveyed to the developer for \$1. Additionally, the City will provide a forgivable loan to the developer in the amount of \$696,018 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.

Homebuyers will sign a secured 15-year loan equal to the appraised value less the sales price with the City of WS 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. The houses will be subject to a 15-year affordability period pursuant to the Housing Justice Act

Sales prices for the homes with the City's investment are estimated to range from \$215,000 to \$338,957. The proposed set asides are listed below:

AMI Target	# of Units	Target Sales Price
80% or below	1	\$ 215,000
80% or below	1	\$ 235,000
120% or below	5	\$ 260,000
120% or below	2	\$ 271,000
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Market	6	\$ 338,957

Buyers for the homes priced at \$271,000 and below may qualify for additional down payment assistance, through participating lenders, from the state. Specifically, NCHFA's Community Partners Loan Pool provides up to \$50,000 of down payment assistance to qualified buyers.

The gap financing for the project will be funded with State ARPA Funds. The available sources for the project are the following:

City Owned Lot	\$1
City Forgivable Loan	\$696,018
Developer's Construction Loan	<u>\$4,845,746</u>
Total Development Costs	\$5,541,764

The City's per unit investment is equal to:

State ARPA per unit investment – \$40,942
State ARPA/Land per unit investment -\$54,701