

## City Council – Action Request Form

**Date:** December 20, 2018

**To:** The City Manager

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

**Council Action Requested:**

1. Ratify action taken on November 15, 2018 allowing S.G. Atkins Community Development Corporation to repay \$113,760 of the \$125,090 construction loan for 3248 Ridgeback Drive, and making a grant to the development project in the amount of \$11,300, which is the repayment shortage of the construction loan.
2. Authorize City Manager or his designee to accept less than full repayment of construction loans, as needed on a case by case basis, for the remaining three (3) houses currently under development in Ridgewood Place subdivision and 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:**

The City of Winston-Salem entered into a development agreement with S.G. Atkins Community Development Corporation (CDC) for development of single-family housing in the Ridgewood Place subdivision. Under the agreement, the City:

1. sells a lot to the CDC,
2. finances the lot sale for a period of up to one (1) year, and
3. loans the CDC funds to construct a house.

The CDC is to repay the construction loan on sale of the house to a homebuyer. A house in the subdivision located at 3248 Ridgeback Drive was recently under contract and scheduled to close on November 16, 2018. While the total due to the City was \$125,090, the closing statement indicated that the proceeds from the sale, after subtracting closing costs paid by the seller, would be \$113,760. Staff requested from Council authorization to provide a pay-off quote to the closing attorney for the proceeds from the sale, and forgive the CDC for the shortfall—approximately \$11,300.

**Committee Action:**

**Committee**

**Action**

**For**

**Against**

**Remarks:**

Council granted this request on an emergency basis, and the closing took place as scheduled. It should be noted that the CDC did not receive cash from the closing. Staff now requests that the Council ratify the action taken on an emergency basis.

The situation described above is not unique to this house. Staff and the CDC have found that the cost to construct a house is 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. Houses in Ridgewood Place are selling for \$120,000, while houses in the CDC's East End Revitalization Area (Hardesty Lane) are listed at \$109,000-\$115,000. The shortfall in proceeds to repay the City's loan can range from \$10,000 to \$25,000 per house.

Staff is also 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. The difference, or repayment shortage, will be converted into a grant to the project. This authorization would apply only to construction loans under the current project development agreements for Ridgewood Place and the East End Revitalization Area.