

City Council – Action Request Form

Date: April 11, 2022

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

From: Patrice Toney, Assistant City Manager
Marla Newman, Community Development Director

Council Action Requested:

Resolution Authorizing Restructuring a Demolition Loan to the Housing Authority of Winston-Salem for the Former Brown Elementary School Site

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: No

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

In December 2014, the Housing Authority of Winston-Salem (HAWS) acquired the former Brown Elementary School site located at 1125 Highland Avenue from Shiloh Baptist Church to construct 120 units of multi-family affordable housing as part of its plan to transform the Cleveland Avenue Corridor. However, the structure was severely damaged by fire and presented a health and safety concern to the community. As a result, HAWS decided to demolish the former school building.

To assist HAWS in those efforts, the City Council approved a \$200,000 loan from Housing Finance Assistance Funds on May 15, 2017 to cover hazard abatement and demolition costs at the property (including asbestos, lead-based paint, and underground storage tank removal). HAWS executed on July 13, 2017 a Loan Agreement, Promissory Note, Deed of Trust, and Restrictive Covenants and Conditions. The loan is interest free and payable within five years of the date of the loan documents. HAWS was to make loan payments of \$10,000 per year with a balloon payment of \$160,000 at the end of the fifth year. In addition, in the event HAWS receives Low Income Housing Tax Credits (Tax Credits) from the North Carolina Housing Finance Agency before July 1, 2022, HAWS shall satisfy in full the loan at the time of the closing associated with the Tax Credits. HAWS has repaid \$40,000 of the loan, leaving a balance of \$160,000.

Committee Action:

Committee	Finance 4/11/22	Action	Approval
For	Unanimous	Against	

Remarks:

The Restrictive Covenants recorded in 2017 required that the property be developed into affordable housing for the elderly. On October 19, 2020, the City Council approved amending the Restrictive Covenants to continue requiring that the property be developed for affordable housing but to remove the restriction that the property be limited solely to housing for the elderly.

HAWS, in partnership with the City of Winston-Salem as Co-Applicant and McCormack Baron Salazar (MBS) as Developer, has been awarded a \$30,000,000 Choice Neighborhoods Implementation (CNI) Grant from the U.S. Department of Housing and Urban Development (HUD) to redevelop the Cleveland Avenue Corridor. Phase 1 will be to construct 81 units of multifamily rental housing for families on the former Brown Elementary School site. HAWS will continue to own the land and execute a ground lease with the ownership entity of the rental housing. MBS has been awarded 2021 Tax Credits for the project. Loan closing associated with the Tax Credits is anticipated on May 1, 2022.

Since the loan will be due in full no later than July 13, 2022, HAWS has requested restructuring of the loan. HAWS is proposing to make payments of \$10,000 per year until the loan is repaid. The existing Deed of Trust on the property will be re-subordinated to all other financing on the project. Additionally, the Declaration of Restrictive Covenants and Conditions will be cancelled since HUD and the North Carolina Housing Finance Agency will place liens and restrictive covenants on the property to ensure the units are occupied by low-income households as required by the CNI funds and Tax Credits. An appropriate resolution is attached.