



NORTH CAROLINA OFFICE OF RECOVERY AND RESILIENCY

NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

OFFICE OF RECOVERY AND RESILIENCY

HAYWOOD AFFORDABLE HOUSING DEVELOPMENT FUND

**Closing the Gap on
Homeownership Projects**

December 14, 2023

AGENDA

- Introductions
- Program Manual Updates
- Affordability Requirements
- Environmental Review
- Funding Gaps
- Construction Lending Terms
- Questions

INTRODUCTIONS

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PROGRAM MANUAL UPDATES

Removal of Sales Price limits

Version 1 stated that the value of the homes produced cannot exceed HOME/Housing Trust Fund Homeownership Sales Price Limits for the year in which the project is originally funded.

Version 2 removes sales price limit for homeownership units.

Addition of per unit funding amount

Version 1 included a per project max amount of **\$3.5 million** and no max per unit amount for homeownership units.

Version 2 adds a maximum **\$300,000** total funding per unit for homeownership projects.

Removal of Appraisal Gap funding

Version 1 allowed for an after-sale gap financing (difference between the appraisal and development cost) called appraisal gap.

Version 2 removes the appraisal gap as a type of gap funding to be awarded in the program because this subsidy should not be necessary due to the removal of a sales price limit.

AFFORDABILITY REQUIREMENTS – 80% AMI

One hundred percent of homeownership units must be affordable to households earning 80% or less of Haywood County’s area median income (AMI).

FY 2023 Income Limits Summary

Persons in Household	1	2	3	4	5	6	7	8
Annual Income = 80% AMI	\$ 42,000	\$ 48,000	\$ 54,000	\$ 60,000	\$ 64,800	\$ 69,600	\$ 74,400	\$ 79,200

[Income Limits | HUD USER](https://www.huduser.gov/portal/datasets/il.html) (<https://www.huduser.gov/portal/datasets/il.html>)

AFFORDABILITY REQUIREMENTS – TERM

Projects receiving grant funding must maintain affordability for an extended period. For homeownership projects, the affordability period is as follows:

Homeownership assistance per unit	Affordability period
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

Affordability periods will be reflected within the CDBG-DR loan award and enforced with the eligible homebuyer through a lien.

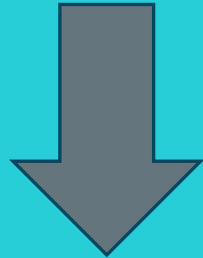
ENVIRONMENTAL REVIEW (24 CFR PART 58)

NEPA Environmental Review:

- All awarded projects will be conditionally approved for funding until an Environmental Review has been completed.
- NO WORK can start until an Environmental Review is completed.
- BEWARE of choice limiting actions that can jeopardize a project's funding eligibility.
- After your application has been submitted, DO NOT:
 - Acquire, rehabilitate, convert, repair, begin or continue any construction or demolition
 - Solicit bids for the project (but you can get estimates)
 - Enter into a purchase and sale agreement
 - Finalize a closing of sale

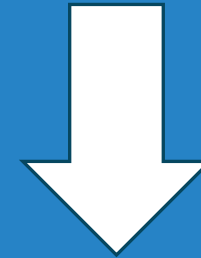
FUNDING GAPS

Financing Gap



Subsidy to assist in the developing of units; construction financing

Affordability Gap



Assistance to targeted homebuyer (down-payment assistance, closing costs)

FINANCING GAP EXAMPLE (CONSTRUCTION LOAN)

EXAMPLE AND DOLLAR AMOUNTS ILLUSTRATIVE ONLY

Building 20 single family infill units

- Goal: Neighborhood of 20 homes for households earning up to 80% of area median income
- Developer seeking favorable construction financing terms
- Total Development cost = \$4,000,000 or \$200,000 per unit
- Developer able to secure \$2,000,000 financing through other sources
- Request for \$2,000,000 financing through Haywood County to close gap
- These funds will be repaid to Haywood County upon the sale of each house.

CONSTRUCTION LOAN TERMS

- 24 months maximum term
- Interest rate 3%
 - Zero payments first 12 months
 - Interest forgiven if loan repaid within 12 months
 - Months 13-24, interest payments due monthly
 - Interest for months 1-13 due at month 13
- \$500 application fee
- County will be in 1st lien position during construction period
- Additional terms and conditions determined on an individual project basis
- Construction cost disbursement
 - Based on completion milestones
 - As frequently as monthly

AFFORDABILITY FUNDING GAP EXAMPLE

5 Single Family Homes on Infill Lots (utilities in place)

Land acquisition	\$0
Construction costs \$200,000/unit	\$1,000,000
Affordability assistance requested	\$600,000



Unit 1:

- Sales price = \$250,000
- Homebuyer's First Mortgage = \$130,000
- Affordability funding needed = \$120,000
- \$480,000 in gap financing available for remaining 4 units

AMOUNTS ILLUSTRATIVE ONLY

DEVELOPER ABC **HOMEOWNERSHIP DEVELOPMENT EXAMPLE**

- *Developer ABC has an option on a parcel* and would like to build 10 homes for buyers earning up to 80% of area median income
- *Developer ABC* applies for \$65,000/unit in financing and \$70,000/unit in affordability funding

Total requested \$1,350,000

- \$135,000 per unit in financing and affordability gap funding
- Haywood County provides \$65,000 in building costs per unit
- Haywood County provides \$70,000 per unit in affordability assistance for eligible homebuyers needing help with downpayment and closing costs

ITEMS TO REMEMBER



\$3.5 million max
award



Developer fees
are capped at
15%



General contractor
fees capped at
20%



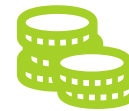
Prefer pre-sale
approach
(homebuyers
identified)



Construction must
meet Green &
Resilient Building
Standard



Home(s) must be
sold within 9
months of
completion



Net proceeds do
not count as
program income

THANK YOU

Questions?