



NORTH CAROLINA OFFICE OF RECOVERY AND RESILIENCY

NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

OFFICE OF RECOVERY AND RESILIENCY

AFFORDABLE HOUSING DEVELOPMENT FUND – ROUND 3

**Closing the Gap on
Homeownership
Projects**

June 15, 2023



SUBRECIPIENT RESPONSIBILITIES

Complete Environmental Assessment (EA)

Acquire Land

Procure developer (if not already procured)

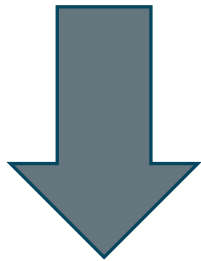
Agree on cost per unit

Homebuyer marketing & eligibility confirmation



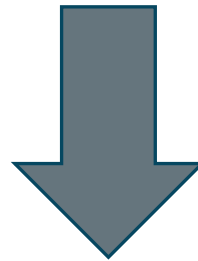
FUNDING CAN ADDRESS THREE TYPES OF GAPS

Appraisal Gap



Cost of building exceeds appraised value

Affordability Gap



Assistance to targeted homebuyer (*e.g.*, down-payment assistance, closing costs, reducing first mortgage)

Financing Gap



Subsidy to assist in the developing of units; construction financing



APPRAISAL GAP FUNDING EXAMPLE

AMOUNTS ILLUSTRATIVE ONLY

- 5 Single Family Homes on raw land
 - Land Acquisition \$200,000
 - \$600,000 to develop land and install infrastructure
 - \$150,000 per unit to build
- Total cost per unit: \$310,000
 - Avg final appraised value per unit: \$275,000
 - Requiring \$35,000/unit in appraisal gap funding



Funding request
would be
\$35,000 per unit
times 5 units =
\$175,000



AFFORDABILITY FUNDING GAP EXAMPLE

AMOUNTS ILLUSTRATIVE ONLY

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

Land acquisition	\$0
Construction costs \$150,000/unit	\$750,000
Affordability assistance requested	\$500,000



Unit 1:

- Sales price \$240,000
- 1st Mortgage \$160,000
- Gap financing \$80,000
- \$420,000 in gap financing available for remaining units



FINANCING FUNDING GAP EXAMPLE

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 unable to finance total project themselves, seeking assistance through UGLG
- Construction cost for 20 single family homes at \$150,000/unit = \$3.45m (includes 15% developer fee)
- Developer able to secure \$2m financing through other sources
- Request for \$1.45m financing through UGLG to close gap

ANYTOWN, NC HOMEOWNERSHIP DEVELOPMENT EXAMPLE

- *Anytown* has a developed parcel in their land bank and would like to build 10 homes for buyers earning up to 80% of area median income
- *Anytown* 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
- UGLG invests \$65,000 in building costs per unit
- UGLG invests \$70,000 per unit in affordability assistance for homebuyers needing help with downpayment and closing costs

ITEMS TO REMEMBER



\$10mil max award



Developer fees are capped at 15%



General contractor fees capped at 20%



Prefer pre-sale approach, having homebuyers id'd



Construction must meet Green & Resilient Building Standard



Completed home(s) must be sold within 9 months



Net proceeds do not count as program income

Thank you

Questions?