

***FUND 24-Davidson, LLC***  
*19701 Bethel Church Road Suite 202, Cornelius, NC 28031*  
*704-987-0000 FAX 704-987-8010*

September 24, 2019

Town of Davidson

**Re: Village at South Main, Davidson, Affordable Housing Proposal and Plan**

Commissioners and Mayor:

Fund 24-Davidson, LLC, the developer of the Village at South Main project, is required to either 1) provide three affordable units or 2) pay PIL fees of \$26,550 per unit (\$79,650 total for all three units).

We offer a plan, described below, at the Village at South Main which will produce three affordable townhomes with the use of payment in lieu fees (PIL fees).

An independent appraisal conducted by Farrington Appraisals, attached hereto, valued the townhomes at \$230,000. The appraisal also contains the floor plan, square footage, and number of bedrooms and bathrooms.

The principals of Fund 24 believe that providing affordable housing rather than paying PIL fees is an important priority and meets the town's strategic plan goal of creating new, available, affordable workhouse housing.

The structure of the plan is:

- The fair market value of the townhomes, if sold on the open market, is \$230,000. This includes the lot and building.
- The sales price of the townhomes will be discounted from \$230,000 to \$160,000 (\$70,000 discount per townhome).
- The townhomes will be built, including interior finishes and appliances, as if they are to be sold at market rate.
- At closing of the sales, Fund 24 will execute 30- year affordability restrictions that provide for a 2% increase per year. The restrictions will require owner occupancy except provide for short term rental (6 months) in the event of necessity such as a sabbatical or a medical problem. The initial buyer, as well as future buyers, must earn less than 80% of the then area medium income as published by HUD (AMI) unless the town, through the Town Manager, approves an exception to include incomes up to 120% of the AMI. The Town Manager will only approve an exception if Fund 24, or a future owner, can demonstrate that reasonable efforts have been made to sell to an 80% household.
- The restrictions will also include a provision that the town has the first right to purchase the home at each sale. The town must notify the owner that it wishes to exercise the right to purchase within 20 days of receiving a notice of intent to sell. If the town purchases the home, the town will have the option of extending the affordability period and renting the home until it can be sold to an income qualified purchaser.

- If necessary, Fund 24 will fund real estate commissions, and soft costs such as buyer closing costs. No principal of Fund 24 will claim a real estate commission.
- The reduction in price (\$70,000) and soft costs paid by Fund 24 (not to exceed \$75,000 per unit) will be applied toward Fund 24's PIL requirement. Additional funds would be provided by the Town's affordable housing fund (which comprises payments in lieu from other developers and projects).
- In the event a townhome does not sell, or an excess of \$75,000 in PIL fees is needed to subsidize the sale, the developer will sell the home at market rate and make a \$26,550 PIL per unit fee to the town. The fee will be due at the closing of the sale of the townhome.

An example of how this works is:

- A Buyer purchases a townhome for \$160,000, which is a reduction of \$70,000.
- The Buyer requires \$5,000 in closing costs (soft costs).
- The total reduction in price plus soft costs is \$75,000 per townhome (\$225,000 for all three townhomes).
- Fund 24's PIL responsibility totals \$79,650 (\$26,550 per unit times three units)
- The \$145,000 remaining amount (the total of \$225,000 less Fund 24's responsibility of \$79,650) would be provided by the Town's affordable housing fund.
- The Town's share of the remaining amount will be paid 50% upon issuance of a Certificate of Occupancy to the unit with the balance at closing of the sale to an affordable buyer. If the unit does not sell to an affordable buyer, then Fund 24 will refund the initial payment to the Town.

The benefits to the Town and its dedication to providing homes that are affordable to lower wealth individuals and families are significant:

- The Town gets three, very nice, affordable homes in the prime downtown area.
- The cost of this program is estimated at \$225,000 total for three new townhomes.

Thank you for considering and approving this plan. We look forward to working with you on this exciting project.

FUND 24-DAVIDSON, LLC



Anthony B. Bowman, Manager

Approved:

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Rusty Knox, Mayor