



City of Fayetteville, NC

**Affordable Single-Family Housing Development Program
Guidelines**

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Program Summary

The City of Fayetteville's Affordable Single-Family Housing Development Program is designed to expand affordable homeownership opportunities by providing development incentives to qualified for-profit and non-profit organizations. This program may be used to build new construction or rehab existing housing within the City limits of Fayetteville. New construction may be in-fill housing in existing neighborhoods or subdivision development on vacant land. The City offers financial assistance and surplus city-owned residential lots to ensure the affordability of these homes, which must be sold to income-qualified households.

The program's primary goal is to support the development of in-fill housing that serves families earning at or below 80% of the Area Median Income (AMI), in accordance with HUD's HOME Investment Partnerships Program (24 CFR Part 92). This includes the provision of interest-free construction financing to developers along with housing counseling and forgivable down payment assistance to qualified buyers.

The ECD Department has established the following guidelines to administer the Single-Family Housing Development Program:

1) Program Objectives

a. Increase Affordable Homeownership:

To expand the stock of affordable for-sale housing within the City of Fayetteville for low- to moderate-income households.

b. Leverage Federal and Local Resources:

To combine federal funds from HUD's HOME program with local support to incentivize the development of high-quality, affordable housing.

c. Ensure Long-Term Affordability:

To maintain the affordability of the housing units for a minimum of 15 years through federal compliance mechanisms.

2) Program Eligibility Requirements

a. Eligible Participants:

Both for-profit and non-profit developers authorized to do business in North Carolina, are eligible to participate in the program. Developers must demonstrate the capacity to undertake and complete housing developments and meet federal funding requirements as described in 24 CFR Part 92.

b. Income Eligibility:

Housing units developed under this program must be sold to households earning at or below 80% of the AMI, as defined annually by [HUD](#). Compliance with income eligibility requirements must be maintained throughout the marketing, sale, and occupancy of the units. This requirement is specified in 24 CFR 92.254. More information can be found within the City's [Homebuying HERO](#) program.

c. Affordability Period:

Once constructed, homes must be sold within nine (9) months of the date of completion of construction or rehabilitation. If there is no ratified sales contract with an eligible homebuyer for the housing within this timeframe, the housing must be rented to an eligible tenant in accordance with 24 CFR 92.254(a)(3). Homes must remain affordable for a minimum of 15 years. The affordability period is enforced through forgivable mortgages and covenants, as required by 24 CFR 92.254(a)(4).

d. **Maximum Sales Price:**

The sales price of each home must not exceed HUD's published maximum [HOME Homeownership Value Limits](#) for HOME-assisted housing units. This price cap ensures that the homes remain affordable to the targeted income group and complies with 24 CFR 92.254(a)(2).

3) City Support and Financial Assistance

a. **Construction Financing:**

The City will provide interest-free construction financing to developers to cover up to \$50,000 of the cost to build the homes. Funding will be provided as an advancement and will be repaid upon the sale of the home to a qualified buyer. All loan repayments must be finalized at closing or within a reasonable time after the sale, in compliance with 24 CFR 92.205(b)(1).

b. **Down Payment Assistance:**

The City will offer up to \$50,000 in forgivable down payment assistance to eligible homebuyers. Assistance will be provided based on the debt-to-income ratio guidelines within the City's [Homebuying HERO](#) program. For this program, up to \$50,000 in assistance may be utilized, based on the buyer's ability to pay a first mortgage and utilize other downpayment programs. This assistance is structured as a forgivable loan that will be forgiven over the 15-year affordability period, contingent upon the buyer's continuous occupancy. Developers must disclose the availability of this assistance to prospective buyers and ensure the necessary documentation for compliance.

4) Program Design and Development Requirements

a. **Conformance to Neighborhood Design:**

The design of the housing must reasonably conform to the existing design characteristics of the surrounding neighborhood. This includes architectural style, building materials, exterior finishes, and lot configuration. Designs should be compatible with local building codes and zoning requirements, ensuring that new development enhances the neighborhood's character. Federal regulations also encourage projects that align with the needs and preferences of the local community (24 CFR 92.202).

b. **Energy Efficiency and Sustainability:**

Developers are encouraged to incorporate energy-efficient and sustainable construction practices. Sustainable features such as energy-efficient appliances, green building materials, and renewable energy sources are highly desirable. Compliance with local energy codes and sustainability goals must be documented during the construction process, as allowed under 24 CFR 92.206(a)(3)(ii).

- c. **Construction Timelines:**
Developers must begin construction within six (6) months of being awarded the project. All housing units must be completed within twenty-four (24) months of the award date. Timely completion is essential for ensuring compliance with HOME program regulations, which require adherence to development timelines under 24 CFR 92.205(e).
- d. **Sales Timelines:**
Once constructed, homes must be sold within nine (9) months of the date of completion of construction or rehabilitation. If there is no ratified sales contract with an eligible homebuyer for the housing within this timeframe, the housing must be rented to an eligible tenant in accordance with 24 CFR 92.254(a)(3).
- e. **Terminated Projects:**
If a project is terminated before completion, either voluntarily or involuntarily, the developer will be required to repay the total amount of funding provided.

5) **Affordability Compliance and Monitoring**

a. **Affordability Enforcement and Down Payment Assistance:**

The City of Fayetteville will provide construction financing secured by a deed of trust and promissory note, and any other applicable encumbrances on the property to ensure that the developer sells the home in accordance with 24 CFR 92.254.

The City of Fayetteville will provide down payment assistance to eligible homebuyers in the form of a deferred, forgivable second (or lower priority with approval) mortgage, secured by a deed of trust and a promissory note. For the allotted time following project completion (the Affordability Period), the homeowner must continue to occupy the home as their primary residence for the entire period to fully benefit from the program. In the event the housing does not continue to be the principal residence of the family for the duration of the Affordability Period, the city shall recapture a portion of the assistance provided to the homebuyers in accordance with the terms and conditions provided in the deed of trust and note. The recapture provisions shall be as follows:

- i. **Deferred Forgiveness:**
The total amount of assistance provided will decrease over time and will only be repaid to the City in the order of recording and from the proceeds of the sale.
 1. 100% of the assistance provided will be recaptured if the assisted housing unit is sold, transferred or otherwise ceases to be the principal residence of the assisted homeowner prior to the six (6) year anniversary of the recording of the deed of trust and note.
 2. Beginning on the six (6) year anniversary of the recording of the deed of trust and note, the amount to be recaptured shall decrease annually at a pro-rated amount such that the balance due at the end of the loan term shall be \$0. For example, for a loan with a 15-year affordability period, the amount subject to recapture shall be reduced by 10% per year starting on the 6-year anniversary.
- ii. **Enforcement Mechanisms:**
The deferred mortgage and promissory note will be secured by a lien on the property.

This lien will remain in place for the entire affordability period and will only be released once the Deed of Trust has been fully forgiven. The City will record the Deed of Trust and promissory note with the appropriate county office to ensure legal enforceability. This mechanism provides a safeguard against the early sale or transfer of the property to non-income-eligible households. The HOME Program funds provided under this program will be recaptured in accordance with 24 CFR 92.254(a)(5)(ii) and shall be repaid to the city recorded as program income in accordance with 24 CFR 92.503 and used in accordance with the requirements of the HOME Program.

iii. **Ineligible Sale or Transfer:**

Should the developer sell and/or transfer ownership of property assisted with funds to a homeowner who does not meet the income eligibility of the program as described in Section III.2, the developer shall reimburse the city the amount of funds disbursed on the project by the city. The city shall deposit said funds in the local Housing Trust Account to be utilized for other affordable housing activities at the discretion of the city. Multiple ineligible sales or transfers will disqualify a developer from future funding at the discretion of the City.

b. **Homebuyer Eligibility Verification:**

Developers are responsible for verifying the eligibility of potential homebuyers based on household income. Documentation verifying eligibility, including income verification and certification, must be retained for monitoring purposes. Developers must comply with 24 CFR 92.508 regarding recordkeeping and reporting requirements. Additional guidance will be provided by staff in the event that a project is selected for funding.

c. **Monitoring and Recapture Enforcement:**

The City will monitor compliance with the affordability period through regular checks and homeowner certifications, ensuring that the property remains the homeowner's primary residence. In the event of a sale or change in residency, the City will calculate and recover the remaining balance of the deferred mortgage in accordance with the recapture provision.

The recaptured funds will be returned to the City's affordable housing fund and reinvested into future housing programs. The City's compliance team will maintain records of all forgiven mortgages, outstanding balances, and recapture amounts, ensuring that federal compliance standards under 24 CFR 92.254 are met.

6) Proposal Evaluation Criteria

Proposals will be evaluated based on the following criteria:

a. **Affordability and Compliance:**

How well the proposal aligns with HUD's HOME program requirements, particularly 24 CFR 92.254.

b. **Design and Sustainability:**

The degree to which the housing design is compatible with neighborhood characteristics and incorporates sustainability features.

c. **Organizational Capacity:**

The developer's experience and ability to deliver affordable housing projects within the required timelines and budget.

d. **Financial Feasibility:**

The soundness of the proposed financing plan, including the use of City-provided construction financing and repayment plans.

7) Federal Requirements

All developments under this program must comply with the following federal requirements:

a. **Fair Housing and Equal Opportunity (24 CFR Part 92.350):**

Ensuring non-discrimination in housing and community development activities.

b. **Environmental Review (24 CFR Part 92.352):**

Compliance with environmental review requirements as per HUD's regulations.

c. **Relocation Assistance (24 CFR Part 92.353):**

Compliance with federal relocation requirements in cases where existing occupants are displaced.

d. **Labor Standards (24 CFR Part 92.354):**

Adherence to federal labor standards in construction, including the Davis-Bacon Act, when applicable.

8) Conclusion

The City of Fayetteville is committed to creating new affordable housing opportunities while fostering the development of vibrant, sustainable communities. This Affordable Housing Development Program provides significant financial support to incentivize developers to build affordable homes while ensuring long-term affordability for low- to moderate-income families. By adhering to the requirements outlined in this document and HUD's HOME regulations, the City aims to achieve lasting impacts on the local housing market and improve the quality of life for Fayetteville residents.