



Legislation Text

File #: 201146., **Version:** 1

Heartwood Sales and Construction Contracts (B)

This item provides an update on the development of the Heartwood neighborhood and seeks approval of the marketing, construction, and sale of the homes in accordance with the City's Real Estate Policy and the City's Financial Services Procedures Manual.

All 34 Heartwood lots/homes will be marketed and sold by Keller Williams Realty - Team Dynamo, 23 of which are tentatively referred to as "Showcase Homes" and 11 of which will be available for special financing through the City's Housing and Community Development (HCD) Department tentatively referred to as "Dreams2Reality." Dreams2Reality will be available to 11 income eligible first time homebuyers. Financing for the 11 homebuyers has been identified through multiple funding sources not to exceed \$70,000 per homebuyer. Staff and Team Dynamo plan to begin a marketing campaign and a virtual homebuyer information session, a neighborhood drive-through open house, followed by the official "Sales Day" targeted for late June 2021.

For the Showcase Homes, Team Dynamo will begin to receive online applications on Sales Day and processed in the order they are received. Team Dynamo will work with each applicant to select and secure a home model, lot, and construction financing. Buyers will then enter into a Purchase and Sale Agreement (PSA) with the City for the vacant lot, which will be conditional on the Buyer, within 90 days of executing the PSA, both: 1) obtaining "Construction-to-Permanent" financing, which is essentially a construction loan to finance home construction which automatically transitions into a traditional mortgage after construction; and 2) entering into a construction contract with a Heartwood's qualified builder to construct the home, with completion and full permitting approval occurring within 9 months after closing on the property. If a Buyer satisfies these conditions within 90 days of executing the PSA, then closing will occur on the property, ownership will transfer from the City to the Buyer, construction of the home can begin, and per the construction contract the home will be finalized within 9 months of closing.

For the Dreams2Reality Homes, Team Dynamo will begin receiving applications online on Sales Day for a 2-week period, ending by mid-July 2021. When the 2-week period ends and in an effort to provide an equitable opportunity for applicants, the list of applicants will be randomized by the City Auditors office and HCD Staff will then begin the qualification process for the first 11 randomly-selected applicants on the list. HCD Staff will continue this process until 11 applicants have been qualified for Dreams2Reality financing. Team Dynamo will then work with the qualified applicants to select and secure a home model, lot, and traditional mortgage financing. Buyers will then enter into a PSA with the City, which will be conditional on: 1) Buyer obtaining traditional mortgage financing; 2) the City, within 30 days after the PSA is executed, entering into a construction contract with a Heartwood qualified builder to construct the home, with completion and full permitting approval occurring within 9-months of executing the construction contract; and 3) the home being constructed with receipt of a final Certificate of Occupancy within 12 months after the date the PSA is executed. If these conditions are satisfied, then closing will occur on the property.

Note that a primary difference between the Showcase Homes and the Dreams2Reality Homes, besides the financing subsidy received for Dreams2Reality Homes, is that a Showcase Home Buyer will contract directly

with a builder using Construction-to-Permanent financing, whereas with Dreams2Reality Homes it will be the City that contracts with a builder with closing extended until after construction. This distinction results from the financial market realities, as communicated by financial institutions, that income-targeted applicants for the Dreams2Reality Homes will most likely be unable to obtain the more competitive Construction-to-Permanent financing needed for home construction. Staff has determined that the GCRA can finance construction of the 11 Dreams2Reality Homes, with recoupment of the purchase price upon closing.

The process described above will create a smooth and efficient process for all stakeholders involved, and the Heartwood website at Heartwoodgncv.com is available with the latest information and news.

The City's Real Estate Policy requires City Commission approval for the sale or purchase of real property at amounts equal to or greater than \$100,000, and the City's Financial Services Procedures Manual requires City Commission approval for any contract for services equal to or greater than \$100,000. As described in the process above, the City will be entering into individual PSAs with each D2R Buyer in the Heartwood neighborhood for greater than \$100,000, and will be individually contracting with Heartwood's pre-qualified builders to construct each of the D2R homes for an amount greater than \$100,000 each. Accordingly, and rather than approaching the City Commission separately for each PSA or construction contract, this item seeks City Commission approval of the marketing, construction, and sale of the homes within the Heartwood neighborhood as described above in order to grant staff the appropriate authority to move forward expeditiously on the development and sale of each home within the Heartwood neighborhood.

Strategic Initiative: Goal 3: A Great Place to Live & Experience and Goal 4: Resilient Local Economy

GCRA will submit a Budget Transfer for the construction of all 11 homes from the GCRA 620 Fund for the GCRA to fund the construction contract for each of the 11 affordable homes/D2R. As each home closes, the GCRA will reimburse the GCRA Fund 620 Fund Balance with the proceeds from each sale.

City Manager to the City Commission: 1) Approve the City's sale of all 34 Heartwood properties, in accordance with the process described in this item, with Purchase and Sale Agreements that are in substantial conformance with the draft PSAs provided in the backup, for both the Showcase Homes and the Dreams2Reality Homes, respectively, as approved by the City Attorney's Office as to form and legality; and 2) Approve the City entering into construction contracts with a pre-qualified builder for each of the 11 Dreams2Reality Homes, in accordance with the process described in this item, with construction contracts that are in substantial conformance with the draft construction contracts as provided in the backup, as approved by the City Attorney's Office as to form and legality.