



AGENDA MEMORANDUM

Action Item for the City Council Meeting of August 21, 2018

DATE: August 3, 2018

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Annual Board Meeting of the Corpus Christi Housing Finance Corporation

CAPTION:

Annual Board Meeting of the Corpus Christi Housing Finance Corporation

PURPOSE:

The purpose is to hold the Annual Board Meeting of the Corpus Christi Housing Finance Corporation in order to elect officers, consider offers concerning the disposition of the Ward Building and parking lot and consider options concerning future multifamily projects for affordable housing.

BACKGROUND AND FINDINGS:

Election of Officers

Each year, the CCHFC must conduct its annual meeting and elect new officers. The Bylaws provide for the following: President, Vice President, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, General Manager and Assistant General Manager. Typically, the President and Vice President have been elected from the Board of Directors and the current officers are Rudy Garza, President, and Michael T. Hunter, Vice President.

The Bylaws provide that all officers do not have to be Board members, and the remaining positions have been held by the persons on City staff holding the functional equivalent positions. The recommendation for these positions is as follows:

General Manager
Assistant General Manager
Secretary
Assistant Secretary
Treasurer
Assistant Treasurer

Samuel "Keith" Selman
Rebecca Huerta
Paul Pierce
Constance Sanchez
Alma Casas

Ward Building

Existing Contract. Last December, the Board approved a Contract providing for the sale of the Ward Building and the related parking lot to William Hoover and David Nuss or an entity formed by them for such purposes. The terms are for a sales price of \$150,000 with the obligation of the purchasers to develop the property into a mixed use development including retail space, collaborative work space and apartments within two years. The Feasibility Period under the Contract expired Monday, July 30, 2018, and the buyer is obligated to close on or before August 29, 2018.

David Nuss has elected not to proceed with the purchase, but Bill Hoover wants to proceed on his own or with another investor. An assignment of David Nuss' interest in the Contract to Bill Hoover has been presented, but any assignments of the Contract are subject to the approval by the CCHFC Board.

New Contract Offer. On June 20, 2018, staff and legal counsel received a Contract offer for the Ward Building and parking lot from The Clower Company or its assigns for \$185,000.00. That Contract provides that the Ward Building will be demolished and the entire property used for parking as noted in Section 11. The entire property is subject to a deed restriction that requires that a minimum of 36 covered parking spaces be maintained on the property for monthly tenants, which is the current use of the parking lot portion of the property. The Clower Contract provides for a 21-day Feasibility Period with closing to be within 15 days afterwards. The offer does not have an expiration and has not been withdrawn.

Background. The City originally acquired the Ward Building and adjacent vacant lots in 2008 utilizing CDBG funds in order to develop parking spaces as an incentive for development of the vacant Nueces Building into the Nueces Lofts apartments. The purchase price and development costs for the parking facility were designed as the economic incentive for the development of 66 new apartments in downtown Corpus Christi. (This development preceded establishment of the current incentive program available through the TIRZ #3 for development downtown.)

In lieu of providing \$800,000 in CDBG funds directly for the development, CDBG funds initially were used for the acquisition of the building and land and the development of the parking lot, but those funds had to be reimbursed to the CDBG program since a new use for the Ward Building could not be found within the required time under CDBG regulations. The CCHFC had funds available so it acquired the Ward Building and parking lot from the City and reimbursed all CDBG and other City funds invested in the project. The CCHFC has as its purpose the development of multifamily and single family housing, so the funds utilized by the CCHFC for the acquisition in order to support the Nueces Lofts development and other downtown residential development was within its corporate purposes.

As the result of this acquisition and development of a new downtown parking lot, the Nueces Building was redeveloped into 66 apartments with a fitness center in first floor commercial space. Prior to its conversion, it was on the property tax rolls at a value of \$900,000 at a rate similar to many other downtown properties. After the conversion, it now is on the tax rolls at over \$5,700,000, and it has helped spur development of the Cosmopolitan Apartments and drive up other property values in the downtown area. The apartments are fully-occupied according to the owner. The Nueces Building also is listed on the National Register of Historic Places and serves as a model for how a historic preservation project can be completed.

In 2009, 2014 and again in 2017, Requests for Proposals (RFPs) were issued for the adaptive re-use of the Ward Building and adjacent parking lot. The objective has been to sell the property to a developer that would assume the operation of the parking lot and redevelop the Ward Building. None of the proposals received over the years have been feasible. City staff has offered various financing terms for a portion of the acquisition costs in attempts to try to

make the numbers work, but the renovation costs, debt service, and operating costs could not be successfully addressed.

Options. The Board has the following options in responding to the request for approval of the assignment and the new offer:

1. Approve the Assignment to Bill Hoover and close the sale of the property on or before August 29, 2018 for \$150,000.00. The Deed would require that redevelopment of the Ward Building be commenced within two years or the CCHFC would have the option to re-acquire the property for the purchase price of \$150,000.00.
2. Reject the proposed Assignment and accept the new Contract offer from The Clower Company for \$185,000.00. That sale would be subject to their feasibility review in the next 45 days, with closing to occur within 45 days thereafter.
3. Attempt to negotiate modifications to the existing Contract with Bill Hoover as a condition of approving the proposed assignment. The Board may want to see if it could get a higher price or different terms. It was anticipated that during the feasibility period the buyers would present further information on the plans for the building but that did not take place. The negotiation of any modifications probably would require an extension of the closing deadline of August 29.
4. Make a counter-offer to The Clower Company. The counter-offer could specify a different price or terms. It is important to keep in mind that a counter-offer terminates the offer on the table so if the other party rejects the counter-offer the original Contract offer is null and void.
5. Reject both options and solicit "best and final offers" from both parties by a specified deadline after the closing date expires under the current Contract. Schedule a future meeting to consider any proposals submitted.
6. Reject both options and Issue a new Request for Proposals after the closing date expires under the current Contract. The CCHFC has issued three Requests for Proposals at various times in the past and never received a qualified offer in response to an RFP. It has received five different contract offers over the past three years, including the current two Contracts, outside of any RFP process. The CCHFC is not legally required to sell the property pursuant to an RFP.
7. Reject both options and list the property with a real estate broker for sale after the closing date expires under the current Contract.

Since this matter involves the negotiation of a contract involving the sale or exchange and value of real property, the discussion of this item may be conducted in closed session.

Multi-family Affordable Housing Proposal

NRP Group has submitted a proposal to develop, construct and operate one, two or possibly three apartment projects for affordable housing at different locations in the City. In 2005, the CCHFC entered into a similar partnership with NRP Group for the development of the Costa Tarragona I apartments located at N. Padre Island Drive and I-35 Highway in Corpus Christi. Phase II of Costa Tarragona was completed in 2009. Under this financing mechanism, the CCHFC would form an LLC subsidiary to act as the general partner of a Texas limited partnership in which NRP Group and a tax credit investor are the limited partners. Although the general partner has legal liability for obligations of the partnership, the LLC would have no other assets, so neither the credit nor assets of the CCHFC nor of the City of Corpus Christi would be at risk in any way. The principals of NRP Group would sign any required personal guaranties in

connection with any of the financing.

The CCHFC would use its authority to issue tax-exempt bonds to finance a portion of the construction costs. Those bonds would be non-recourse as to the CCHFC and the sole obligation of the partnership for repayment.

NRP Group would retain the involvement of a low-income housing tax credit investor to provide additional equity for the project. These would be 4% tax credits and not the 9% tax credits allocated through the program administered by the Texas Department of Housing and Community Affairs, so it would not be involved in any way with that annual allocation proceeding.

In exchange for its participation in the partnership, the CCHFC would earn 30% of the development fees, 50% of the priority distributions, and 50% of the net revenues of the partnership. The current pro forma for each project shows \$5,864,000 in development fees paid over the term of the financing, with the first \$1,947,527 paid by the time of permanent loan closing. The 30% interest of the CCHFC would amount to \$601,000 by permanent loan closing and \$1,759,200 overall.

Concerning the Costa Tarragona development, the initial development fees were paid in full, but the partners agreed to eliminate interest on the deferred development fee in order for the project to meet its cash flow requirements. The CCHFC has been paid a total of \$645,435 in development fees on Costa Tarragona I and \$451,800 on Costa Tarragona II over the years with a balance remaining of \$334,152.

The CCHFC also charges a fee for the issuance of its tax exempt bonds. Although it has not issued any bonds since 2005, its fee schedule is 1/4 of 1% for the first \$10 million and 1/8 of 1% for the remaining principal amount of bonds issued. The NRP pro forma shows a bond issue of approximately \$21,760,000 so those fees would be \$39,700.

No action is required on this proposal at the present time, but NRP will be making a request in September for specific action on one or more of the projects.

ALTERNATIVES:

The CCHFC may elect such persons as officers as it sees fit and take any of the alternatives described under the section for the Ward Building.

OTHER CONSIDERATIONS:

Not Applicable

CONFORMITY TO CITY POLICY:

The action conforms to all applicable City and CCHFC policies.

EMERGENCY / NON-EMERGENCY:

Non-Emergency. This item requires only one meeting of the CCHFC Board.

DEPARTMENTAL CLEARANCES:

Housing and Community Development and City Secretary's Office

FINANCIAL IMPACT:

Operating

Revenue

Capital

Not applicable

Fiscal Year: 2017-2018	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund(s):

Comments: N/A

RECOMMENDATION:

Staff recommends the election of new officers.

LIST OF SUPPORTING DOCUMENTS:

Agenda for CCHFC Board Meeting
Commercial Contract – Improved Property with Bill Hoover and David Nuss
Commercial Contract – Improved Property with The Clower Company
NRP Group Proposal
Unapproved December 19, 2017, Board Meeting Minutes
Treasurer’s Report