



AGENDA MEMORANDUM

Future Item for the City Council Meeting of 02/11/2014

Action Item for the City Council Meeting of 02/18/2014

DATE: January 31, 2014
TO: Ronald L. Olson, City Manager
FROM: Susan K. Thorpe, Assistant City Manager
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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 amend the bylaws, elect officers, and consider other items of business related to multifamily housing.

BACKGROUND AND FINDINGS:

Amendment of the Bylaws

1. Section 2.03 of the Bylaws currently provides that the annual meeting of the Board of Directors shall be held during the third City Council meeting in May of each year, which was based on City Council elections held in April. As a practical matter, the annual meetings were not held until June or July due to handling all of the transition issues for the new City Council. With City Council elections now in November, the Board should consider changing the annual meeting date to any City Council meeting in February of each year.
2. The City Manager typically serves as the General Manager of the Corpus Christi Housing Finance Corporation. In order to better track the City administrative responsibilities, the Board should consider amending Article IV-Officers of the Bylaws to create a new office entitled Assistant General Manager. The Assistant General Manager shall assist the General Manager in his or her responsibilities to oversee the management and administration of the Corpus Christi Housing Finance Corporation. Similar to the General Manager, the Assistant General Manager shall not be a member of the Board of Directors and shall serve at the pleasure of the Board of Directors and be under their supervision.

Election of Officers

The Bylaws of the Corpus Christi Housing Finance Corporation provide for the following officers: 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. The Bylaws provide that 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 recommendations for these positions are as follows:

Secretary	Rebecca Huerta
Assistant Secretary	
Treasurer	Margie Rose
Assistant Treasurer	Constance Sanchez
General Manager	Ronald L. Olson
Assistant General Manager	Susan K. Thorpe

Housing Finance Corporation Interim Loan Program

Under the low-income housing tax credit program operated by the Texas Department of Housing and Community Affairs (TDHCA), applicants earn various points in the scoring process based on the features of the development and local support. Historically, developments have earned points by obtaining an interim loan from a housing finance corporation as part of their overall financing package. Those loans have been done all over the state by the Capital Area HFC in Austin and the Southeast Texas HFC in Houston. The new rules of TDHCA require that in order to be considered "local" support, the loan must be made by an HFC in the county in which the project is located or an adjacent county. As a result, projects in Corpus Christi cannot continue to use loans from the Austin or Houston area HFCs for this component.

The loan structure does not require any funds of the CCHFC. Applicants are required to make arrangements with a bank or other financial institution either to take an assignment of the note payable to the CCHFC and provide the needed financing or provide a certificate of deposit which can be used by the CCHFC to make the loan. As a result, if a project needs a \$1,000,000 loan from the local HFC to obtain the needed points, the CCHFC can make the \$1,000,000 loan and obtain the necessary funding from the loan either from a certificate of deposit or the assignment of the note to a bank. Neither the City of Corpus Christi nor the CCHFC would be liable for the payment of the loan. The developer's credit and certificate of deposit, if applicable, would provide the sole recourse on the debt.

The TDHCA program rules limit the rate of interest on the loans to 3% per annum and require that they be for a minimum stated term of five years. Under the terms of the loan, the borrower would be required to pay an origination fee to the CCHFC and its expenses.

This program should be made available to any applicant for low-income housing tax credits at TDHCA who makes a request for local support of this nature. The applicant would be required to make all arrangements for the necessary financing.

Housing Finance Corporation as General Partner Program

In 2005, the CCHFC approved a Memorandum of Understanding (MOU) with NRP Group, a national affordable housing developer, in which the CCHFC would participate as the general partner of a limited partnership, a co-developer, and land-lease landlord in order for the Costa Tarragona Apartments to be developed at North Padre Island Drive and Interstate Highway 37. Costa Tarragona was successful in obtaining an award of low-income housing tax credits from TDHCA, and the first phase of the project was a success and fully-leased. A similar arrangement was made to develop Phase II of the Costa Tarragona Apartments in 2010.

The structure of the financing is the same as utilized by other HFC's and housing authorities in the State of Texas. Although, the CCHFC never has formally adopted a program providing for this method of support, the CCHFC has been open to any developer of multi-family housing serving low to moderate income residents. By consideration of the establishment of this program as an action item, the CCHFC would confirm its availability as an option to developers seeking similar assistance in the development of projects for low to moderate income residents.

Ward Building and Downtown Parking Lot

In 2007, the City was approached by the owner of the Nueces Building to provide economic incentives for the redevelopment of the building into apartments. The building had been used as office space, but occupancy was low due to an overall lack of demand for office space in the downtown area. The City earlier had determined that attracting residential uses to the downtown area would be a key factor to spur downtown development, and it began working with the owner on the right combination that would facilitate his financing and development of the project.

Community Development Block Grant (CDBG) funds were identified as one source of partial funding for the project that would help bridge the gap in conventional financing available. An allocation of \$800,000 was made in the 2007-08 CDBG program targeted to finance low-income housing units as part of the project. After further analysis of his pro forma, however, the developer determined that the CDBG funding would not off-set the loss in cash-flow for the project in having a number of the apartments subject to severely limited rents.

The developer had acquired a long-term lease of the Ward Building across the street and some adjacent vacant lots in order to develop a gated, covered parking lot to serve the new downtown residents, and lending institutions generally required assurance of adequate off-street parking as a key loan condition. An agreement was negotiated in which the City would acquire the Ward Building lease and adjacent vacant lots to develop a parking lot primarily to serve downtown residents. The CDBG allocation was utilized to acquire and develop the property into a parking lot instead of providing a direct subsidy into the apartment project. Although the initial plan was to demolish the Ward Building and devote the entire site to parking, the City could not proceed with the demolition on a timely basis due to various state and federal regulations, so the parties agreed that the parking lot would be designed around the Ward Building.

In 2009, the City acquired the vacant lots and the long-term leasehold interest in the Ward Building for \$350,000. The terms of the agreement provided for the development of the downtown parking facility primarily to serve downtown residents. Closing that transaction allowed the construction loan for the Nueces Building conversion into apartments to close simultaneously and got that project started. Although the acquisition initially was funded entirely with CDBG funds, HUD later advised the City that only the Ward Building was eligible for CDBG funding. The Corpus Christi Housing Finance Corporation (CCHFC) provided funding in the amount of \$575,000 in order to reimburse the portion of CDBG funds used to acquire the vacant lots and the construction and development costs of the parking lot. The terms of the \$575,000 loan by the CCHFC required that the parking lot continue to primarily serve downtown residents.

As the result of this development, the Nueces Building has been converted into 66 apartments. Prior to its conversion, it was on the property tax rolls at a depressed value

of \$900,000 similar to many other downtown properties. After the conversion, it now is on the tax rolls at over \$4 million, and has helped to drive up other property values in the downtown area and spur other development such as the Lichtenstein Building site. The apartments are fully-occupied, and a fitness club has located in the first floor space. The Nueces Building also is listed on the National Register of Historic Places.

In 2009, the City issued a Request for Proposals (RFP) for the adaptive re-use of the Ward Building and adjacent parking lot. The objective was to sell the property to a developer that would assume the operation of the parking lot and redevelop the Ward Building. Two proposals were received, but after many attempts at finding the right terms for development and financing the project, staff determined that neither proposal would be viable at that time. Two key impediments impacted the project: developers could not find the right mix of uses for the building to make operation feasible on an on-going basis, and the terms of the long-term lease of the Ward Building with the Keeton family make the project difficult to finance. The Ward Building and the remainder of the two lots on which it is located is subject to a long-term ground lease. Grover Keeton, Sr. had negotiated the lease in the 1980's with a local law firm that was attempting to assemble the entire block for a new office building development, but those plans were scuttled when the entire block could not be acquired successfully. Almost 70 years remains on the lease with rent being paid at the rate of \$1,000 per month for an initial term scheduled to expire in 2017 with three 22-year option terms available after that point.

In February 2012, in order to take the project off of the City's books and replenish CDBG and funds used in connection with the purchase of the property and development of the parking lot, the CCHFC acquired the property from the City for the amount of the costs that the City had invested, being the original \$575,000 loaned from the CCHFC and \$335,000 in CDBG funds. The property has been held by the CCHFC as an asset waiting for an appropriate time to put the property out for purchase in an RFP. The parking lot is utilized for parking by downtown residents and is managed by the owner of the Nueces Lofts building.

In preparation for a new request for proposals, City staff has obtained a structural study of the Ward Building that will be made available to all proposers for analysis and eliminate the need for each proposer to obtain its own study. The experience of the 2009 RFP process indicates that respondents would prefer if the CCHFC could obtain fee simple title to the Ward Building for sale, rather than assignment of the long-term lease. As a result, City staff has been in discussion with the heirs of Grover Keeton, Sr. who currently hold the long-term lease about the buy-out of the lease and acquisition of the fee simple title to the Ward Building.

ALTERNATIVES:

None.

OTHER CONSIDERATIONS:

Not applicable.

CONFORMITY TO CITY POLICY:

This request conforms to the rules and procedures governing City Boards, Commissions, and Committees.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Assistant City Manager, Safety, Health & Neighborhoods
Corpus Christi Housing Finance Corporation

FINANCIAL IMPACT:

Operating Revenue Capital X Not applicable

Fiscal Year: 2013-2014	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund(s): (Do not list Accounting streams, use names of accounts)

Comments: NA

RECOMMENDATION:

That the Corpus Christi Housing Finance Corporation be allowed to conduct their annual meeting at 12:00 pm Tuesday, February 11, 2014 during the regularly scheduled City Council meeting.

LIST OF SUPPORTING DOCUMENTS:

Agenda for Corpus Christi Housing Finance Corporation annual meeting
Minutes of July 31, 2012 meeting
Treasurer's Report
Amended Bylaws