



AGENDA MEMORANDUM

Future Item for the City Council Meeting of 04/22/2014

Action Item for the City Council Meeting of 04/29/2014

DATE: April 9, 2014
TO: Ronald L. Olson, City Manager
FROM: Susan K. Thorpe, Assistant City Manager
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Special Board Meeting of the Corpus Christi Housing Finance Corporation

CAPTION:

Special Board Meeting of the Corpus Christi Housing Finance Corporation.

PURPOSE:

Approval of routine administrative matters and the possible acquisition of the fee simple title to the Ward Building.

BACKGROUND AND FINDINGS:

Service Agreement for City Financial Services

The City Finance Department provides financial services to the CCHFC along with other specialty corporations and entities affiliated with the City. A cost-allocation plan has been developed for all such entities to contribute their proportionate share in the costs of providing financial services. The Service Agreement will provide for the payment for such services.

Change of Fiscal Year to Match City Fiscal Year

The City has elected to change its fiscal year to a year ending September 30 beginning with the current fiscal year to be extended to September 30, 2014. The CCHFC establishes its fiscal year by resolution according to the Bylaws, and having consistent fiscal years would facilitate the preparation of the annual audit and financial reports.

Change of Registered Agent

State law requires each corporation to maintain a registered agent and registered office with the Texas Secretary of State. That position typically has been held by the Secretary of the Corporation, and this item would authorize the filing of a new designation of registered agent with the Texas Secretary of State. The registered office would remain unchanged.

Ward Building and Downtown Parking Lot

Staff has been in discussion with the heirs of Grover Keeton, Sr. who currently hold the landlord's rights under the long-term lease of the Ward Building in order to acquire the fee simple title to the land and building in order to facilitate the disposition of that property along with the related parking lot already owned by the Corporation to support downtown multi-family housing development. A contract has been proposed for consideration by the Board and possible approval.

In 2007, the City agreed to provide economic incentives for the redevelopment of the Nueces Building across the street from the Ward Building into apartments. The Nueces 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 began working with the owner on the right combination that would facilitate his financing and development of the project.

Although the initial plan to use \$800,000 in Community Development Block Grant (CDBG) funds for the incentive was determined not to be feasible, the City agreed to acquire from the Nueces Building developer certain vacant lots and a long-term lease of the Ward Building across the street in order to develop a gated, covered parking lot to serve the new downtown residents. Closing that transaction allowed the construction loan for the Nueces Building conversion into apartments to close simultaneously and start that project. As funds later were accumulated by the CCHFC through the development of other multifamily projects, the CCHFC acquired the parking lot and long-term leasehold interest in the Ward Building from the City.

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 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 \$4 million, and it has helped to drive up other property values in the downtown area. The apartments are fully-occupied, a fitness club has located in the first floor space, and the project recently closed its permanent financing. 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 remain 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 preparation for a new request for proposals, 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. Acquisition of the fee simple interest in the Ward Building will satisfy the requirements of possible bidders on the property so that this facility can be returned to private ownership and developed further.

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):

Comments:

RECOMMENDATION:

That the Corpus Christi Housing Finance Corporation be allowed to conduct a special Board meeting on Tuesday, April 29, 2014 during the regularly scheduled City Council meeting.

LIST OF SUPPORTING DOCUMENTS:

Agenda for CCHFC Board Meeting
Financial Services Agreement
Resolution: Change of Fiscal Year
Commercial Contract: Ward Building