



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: K-1718-133

File ID: K-1718-133

Type: Contract

Status: Consent Item

Version: 1

Reference: Item 28

In Control: City Council

Department: Planning and
Community
Development
Department

Cost: \$240,914.00

File Created: 06/11/2018

File Name: Acquisition of 115 and 117 W Hughbert

Final Action:

Title: CONTRACT K-1718-133: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN, OKLAHOMA, NORMAN AFFORDABLE HOUSING CORPORATION, INC., AND NORMAN COMMUNITY HOUSING DEVELOPMENT 2015, INC. IN THE AMOUNT AS AGREED UPON UNDER THE FYE 2018 HOME INVESTMENT PARTNERSHIP PROGRAM TO PURCHASE PROPERTY LOCATED AT 115 AND 117 WEST HUGHBERT STREET TO BE USED AS AFFORDABLE RENTAL HOUSING IN THE CITY OF NORMAN.

Notes: ACTION NEEDED: Motion to approve or reject Contract K-1718-133 with Norman Affordable Housing Corporation, Inc., and Norman Community Housing Development 2015, Inc., in the amount of \$240,914; and, if approved, authorize the execution thereof.

ACTION TAKEN: _____

Agenda Date: 06/26/2018

Agenda Number: 28

Attachments: K-1718-133 Written Agreement Part I.pdf, K-1718-133 Written Agreement Part II.pdf, K-1718-133 Written Agreement Part III.pdf, K-1718-133 Written Agreement Part IV Budget.pdf

Project Manager: Lisa Krieg

Entered by: lisa.krieg@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
------------	--------------	-------	---------	----------	-----------	--------------	---------

Text of Legislative File K-1718-133

Body

BACKGROUND: On May 9, 2017 the Norman City Council approved the 2017-2018 Action Plan for the Community Development Block Grant (CDBG) and HOME Investment Partnerships Programs. Included in the Action Plan for the HOME Program was Development of Affordable Housing. Each participating jurisdiction is required to reserve not less than 15 percent of the HOME allocation for investment in housing to be owned, developed, or sponsored by Community Housing Development Organizations (CHDO's). The project located at 115 and 117 West Hughbert is being undertaken by Norman CHDO 2015 in the sponsorship role in partnership with the Norman Affordable Housing Corporation. A companion item Contract K-1718-132 with Norman Affordable

Housing Corporation is also being considered for funding from the Community Development Block Grant Program.

The HOME Program regulations (24CFR Part 92) requires that before any HOME funds are committed to a CHDO project, a Written Agreement must be executed by all parties and must outline the responsibilities including financial responsibilities of each party. This Written Agreement (Parts 1-4, attached) is between the City of Norman, Norman Affordable Housing Corporation, Inc. and Norman CHDO 2015, Inc. to acquire residential property located at 115 and 117 West Hughbert Street. After acquisition, the property will be owned and operated by the Norman Affordable Housing Corporation. The property is being developed by Ox Collective, LLC in partnership with the University Of Oklahoma Christopher C Gibbs College Of Architecture. Each address consists of two-one bedroom units with a central driveway and a common parking lot.

In 2017, Ox Collective approached Hans Butzer, Dean of the Christopher C. Gibbs College of Architecture about providing the financial support for a community project to enable the students of the Haskell-Lemon Division of Construction Science to have hands-on construction experience. Ox Collective, LLC purchased the property in December 2017 and demolished the garage structure. The site design and duplex designs were completed pro-bono by Butzer Architects and Urbanism with Torrey A. Butzer as the lead designer.

Building Permits were issued in January 2018 and construction of 117 West Hughbert commenced utilizing a contractor and the construction 115 West Hughbert was delayed slightly to allow the Construction Science students to follow the example of 117 as it progressed. Throughout the project, all work has been inspected and approved by the City of Norman with construction now at 80% completion. Acquisition of property will not be completed until Occupancy Permits have been issued.

Norman CHDO 2015 provided to the City of Norman a Pro-Forma which details the sources and uses of funds for this project. Norman CHDO 2015, Inc., is a Community Housing Development Organization that has been approved by the City of Norman as meeting all requirements for certification by the HOME Investment Partnerships Program. Utilizing the Underwriting Template that is required by HUD, it was determined that the subsidy being provided by the City of Norman is within allowable subsidy layering limits. This template identified the funds that will be provided by Norman CHDO 2015 and the Norman Affordable Housing Corporation as well as projected rents and operating expenses for the development. Gross Rent Potential was projected against short and long term operations/maintenance expenses including deposits into a reserve replacement account to insure the continued viability of the project.

HOME funding is available in the amount of \$145,820 (budgeted in FYE 2017) along with HOME Community Housing Development Organization (CHDO) funding (budgeted in FYE 2017 and FYE 2018) to the Norman CHDO 2015, Inc. in the amount of \$94,914 for a total investment by the City of Norman HOME program of \$240,734. The City of Norman HOME funds are to be combined with \$156,266 of funds from Norman Affordable Housing Corporation. Any remaining funds needed for this proposal will be provided by the Norman Affordable Housing Corporation.

DISCUSSION: The four one-bedroom units will be acquired by Norman CHDO 2015, Inc. in partnership with Norman Affordable Housing Corporation to expand the availability of affordable housing to the community at large. After acquisition the sole owner of the property will be the Norman Affordable Housing Corporation which will be responsible for compliance with all HOME regulations for the 20 year Period of Affordability.

The project consists of two single story duplexes located at 115 and 117 West Hughbert. All four units are designed and constructed to be accessible to persons with a physical disability. Both structures will be served by a common drive and parking area as required.

The HOME Investment Partnerships Program requires that projects utilizing HOME funds remain affordable and be occupied by households meeting the income requirements for a specific period of time, depending on the type of construction and the amount of HOME funds utilized. This project will require a twenty (20) year period of affordability. This twenty-year period of affordability (rents, including utility allowance, has two tiers, initial occupancy and subsequent occupancies. All four units at initial occupancy will rent at rates affordable to households at or below 60% of the Median Family Income with an approximate rent of \$580 per month; and

subsequent occupancies will rent at rates affordable to households at or below 80% of the Median Family Income or approximately \$600 per month.

This project is collaboration between the City of Norman, Norman Affordable Housing Corporation, Inc. and Norman CHDO 2015, Inc. The attached four part Written Agreement to be executed outlines the roles and responsibilities that each entity is required to fulfill. The Period of Affordability will be secured by a Deed of Trust filed at the Cleveland County Courthouse and monitored for compliance by the City of Norman. The total project cost is \$397,000; this amount includes the \$350,000 purchase price and \$47,000 in "soft costs". Included within the soft costs are closing costs for the acquisition, initial deposits for Replacement Reserves (\$20,000) and Rental Reserves (\$5,000), Property Insurance and insurance escrow (\$5,000), Developers Fee (\$15,000; 4.2%), and funds for fixtures and equipment (\$2,000).

The \$156,266 of funds being provided by the Norman Affordable Housing Corporation includes \$85,000 provided by the Community Development Block Grant Program for acquisition of Affordable Rental Property (RFP-1718-57; K-1718-132). The remaining \$71,266 was the result of an investment the Norman City Council made with the proceeds from the sale of the Kingsgate Property in 2005. The funds provided to the Norman Affordable Housing Corporation were utilized to purchase 24 residential properties and have been rented to moderate income households at affordable rates since that time. These properties in addition to providing affordable housing have provided a substantial return and a portion of the return is now being reinvested into this project. This is the third project of this type that the City of Norman has undertaken to expand the availability of affordable housing. The first project (Contract K-1314-144) was approved in June of 2014 between the City of Norman, Food and Shelter, Inc. and Norman Affordable Housing, Inc. for a sixteen unit project located on Glen Oaks Drive. The purchase and rehabilitation of the Glen Oaks project is complete and fully occupied. The second project was the development of a six unit complex located at 301 and 303 Vicksburg Circle (Contract K-1516-10) which was completed in April of 2018.

Both the Norman Affordable Housing Corporation and Norman CHDO 2015, Inc. are 501(c)(3) organizations and provide the City of Norman with their Independent Audit and Financial Statements and their Annual 990 Tax Return.

RECOMMENDATION: Staff recommends approval of Contract K-1718-133 with the Norman Affordable Housing Corporation and Norman CHDO 2015, Inc. in the amount of \$240,914. Funds are available in the following accounts:

HOME 2016, Rental Rehabilitation (account 021-4096-463.47-12) - \$145,820
HOME 2016, CHDO (account 021-4096-463.47-98) - \$47,457
HOME 2017, CHDO (account 021-4045-463.47-98) - \$47,457