



Legislation Details (With Text)

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Title: CONTRACT K-1819-123: 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 OF \$191,430 AS AGREED UPON UNDER THE FYE 2019 HOME INVESTMENT PARTNERSHIP PROGRAM TO PURCHASE PROPERTY LOCATED AT 1917/1919 DURHAM PLACE TO BE USED AS AFFORDABLE RENTAL HOUSING IN THE CITY OF NORMAN.

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Attachments: 1. Text File, 2. CHDO Request, 3. K-1819-123, 4. PR CHDO

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3/12/2019	1	City Council		

CONTRACT K-1819-123: 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 OF \$191,430 AS AGREED UPON UNDER THE FYE 2019 HOME INVESTMENT PARTNERSHIP PROGRAM TO PURCHASE PROPERTY LOCATED AT 1917/1919 DURHAM PLACE TO BE USED AS AFFORDABLE RENTAL HOUSING IN THE CITY OF NORMAN.

BACKGROUND: On May 8, 2018, the Norman City Council approved the 2018-2019 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 1917/1919 Durham Place is being undertaken by Norman CHDO 2015 in the sponsorship role in partnership with the Norman Affordable Housing Corporation.

The HOME Program regulations (24CFR Part 92) require 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 1917/1919 Durham Place in Eastridge Addition. After acquisition, the property will be owned and operated by the Norman Affordable Housing Corporation. The property is an existing duplex with three bedrooms on each side. One unit is currently occupied and the lease will remain intact.

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 the U.S. Department of Housing and Urban Development (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. Included within the pro-forma are expenses to make accessibility modifications to the vacant unit.

HOME funding is available in the amount of \$130,162 along with HOME Community Housing Development Organization (CHDO) funding to the Norman CHDO 2015, Inc. in the amount of \$63,530 for a total investment by the City of Norman HOME program of \$193,692. The City of Norman HOME funds are to be combined with \$63,530 of funds from Norman Affordable Housing Corporation for a total development cost of \$257,222. Any additional funds needed for this proposal will be provided by the Norman Affordable Housing Corporation.

DISCUSSION: The two three-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 10 year Period of Affordability.

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. Both 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 \$680 per month; and subsequent occupancies will rent at rates affordable to households at or below 80% of the Median Family Income, or approximately \$851 per month.

This project represents a 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 \$63,530 of funds being provided by the Norman Affordable Housing Corporation 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 is now being reinvested into this project. This is the fourth 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 and also is fully occupied. The third project was the acquisition of 115 and 117 W. Hughbert in August 2018. The four one-bedroom units are also fully occupied.

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-1819-123 with the Norman Affordable Housing Corporation and Norman CHDO 2015, Inc. in the amount of \$191,430. Funds are available in the following accounts:

Rental Rehabilitation - 021-4087-463.47-12 - \$19,875.87
Rental Rehabilitation - 021-4091-463.47-12 - \$34,519.00
Rental Rehabilitation - 021-4096-463.47-12 - \$75,767.13
CHDO - 021-4006-463.47-98 - \$63,530