



City of Grand Island

Tuesday, December 15, 2009

Council Session

Item G14

**#2009-318 - Approving Neighborhood Stabilization Program
Housing Developer Agreements**

Staff Contact: Joni Kuzma

Council Agenda Memo

From: Joni Kuzma, Community Development

Council Meeting: December 15, 2009

Subject: Approving Neighborhood Stabilization Program Housing Developer Agreements

Item #: G-14

Presenter(s): Joni Kuzma, Community Development Administrator

Background

In October, the City of Grand Island was awarded a \$993,000 Neighborhood Stabilization Program grant from the Nebraska Department of Economic Development. The grant will enable the city to purchase and demolish at least six (6) vacant, blighted structures and redevelop the lots into six (6) new homes.

Habitat for Humanity and the Housing Development Corporation are non-profit housing developers partnering on the grant. Per the grant contract between the state and the city, both entities are eligible to redevelop 3 of the properties. The City must enter into a Housing Developer Agreement with each organization to move forward with construction of new housing.

Discussion

Housing Developer Agreements for each organization have been included in the Council packet. The agreements are different based on the amount of construction subsidy per agency. Habitat for Humanity is funding the construction of their three (3) houses internally so will not have a construction subsidy. The houses constructed by the Housing Development Corporation will be subsidized through the grant. The agreement with the Housing Development Corporation addresses requirements associated with the subsidy that do not need to be addressed in the Habitat agreement.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the Neighborhood Stabilization Program Housing Developer Agreements and authorize the Mayor to sign all related documents
2. Refer the issue to a Committee.
3. Postpone the issue to a later date.

Recommendation

City Administration recommends that Council approves the Neighborhood Stabilization Program Housing Developer Agreements and authorizes the Mayor to sign all related documents.

Sample Motion

Move to approve the Neighborhood Stabilization Program Housing Developer Agreements and authorize the Mayor to sign all related documents.

**DEVELOPMENT AGREEMENT
NEIGHBORHOOD STABILIZATION PROGRAM
CITY OF GRAND ISLAND, NEBRASKA AND
HOUSING DEVELOPMENT CORPORATION**

THIS AGREEMENT is approved as of this 15th day of December, 2009, by and between the CITY OF GRAND ISLAND, NEBRASKA, located at 100 East First Street, Grand Island, Nebraska 68801, hereinafter referred to as the “City,” and the Housing Development Corporation, whose local office is located at 1811 W. 2nd Street, Grand Island, NE, hereinafter referred to as the “Developer” or “HDC.”

IT IS AGREED by and between the parties as follows:

I. PERIOD OF PERFORMANCE

The activities described in this Agreement are to begin no later than July 31, 2010, and shall be completed no later than June 1, 2011. All eligible activities and costs are limited to the above time period, with the exception of eligible pre-development costs specifically approved for reimbursement by the City. This Agreement shall remain in full force and effect with respect to the Developer until such time the Property has been conveyed to a qualified homebuyer under the terms and conditions of this Agreement.

II. GENERAL ACTIVITIES AND DEFINITIONS

A. Project Summary. The City will acquire certain parcels of real estate for demolition and redevelopment through the Neighborhood Stabilization Program (NSP). To the extent possible, input from the Housing Development Corporation will be included in the decision-making process regarding which properties are acquired for demolition and redevelopment. In the property selection process, the floor plan design of the Housing Development Corporation will be considered in relation to lot size and location.

When the demolition is completed, the City will transfer the property to the Housing Development Corporation retaining a trust deed or mortgage lien. Upon completion of redevelopment in accordance with the terms and conditions of this Agreement, the Property shall be sold to an eligible household consistent with the NSP grant and contract 093N11 with the Nebraska Department of Economic Development (NDED) both of which are attached hereto and incorporated herein by reference.

B. Definitions. The following definitions shall apply to this Agreement:

1. “Project” shall include all activities related to acquisition, redevelopment, sale and occupancy of the Property.
2. “Buyer” shall refer to the person or persons purchasing the Property.
3. “Appraisal” shall refer to a real property appraisal conducted by an independent qualified appraiser to determine the market value of the Property. The City reserves the right to select or approve the appraiser.

4. "Total Development Cost" includes, but is not limited to, all costs for site acquisition, relocation, demolition, construction, and closing costs.

C. Commitment of Funds. Prior to completion of an environmental review by the City, the Developer shall not make any commitment if it would have an adverse environmental impact or limit the choice of reasonable project alternatives.

D. Eligible Costs. All Project costs under this Agreement must be eligible under Community Development Block Grant program regulations and Neighborhood Stabilization Program rules. The City reserves the right to make the final determination as to the eligibility of any cost under this Agreement.

E. Forms of Assistance. Assistance may be provided as described below:

1. Non-interest bearing financing to support acquisition, construction and/or other eligible costs related to the redevelopment of the Property. The amount of any direct subsidy assistance to be repaid to the City shall be set forth in separate documents.

2. A development subsidy which shall be equal to the difference between the total development cost of the Property and the sales price of the Property. The development subsidy shall be consistent with program guidelines.

3. A developer fee of \$10,000 to be disbursed to HDC in installments during development of the property. The final installment may be disbursed after closing on the sale of the Property to an income eligible buyer and the submission of all required reports and documentation determined necessary by the City.

F. Calculation of Financing Repayment. The amount of construction financing to be repaid to the City shall be equal to the total amount of assistance provided by the City through this Agreement for the Property less:

G. Development Schedule. Prior to the commencement of redevelopment, the Developer shall submit a development schedule for the Property. The development schedule shall be in sufficient detail to allow the City to monitor the progress of the Developer in completing its obligations under this Agreement.

H. Construction Trust Deed. Prior to the disbursement of funds for the Property, the Developer shall execute a trust deed and notice of commencement to the City to secure repayment of funds approved by the City for the redevelopment of the Property.

III. ACQUISITION, PRE-DEVELOPMENT AND CONSTRUCTION REQUIREMENTS

A. Acquisition. The City will acquire properties for demolition in accordance with all applicable City and Neighborhood Stabilization Program requirements.

B. Compliance with Applicable Codes. The Developer shall comply with all applicable codes and pay all applicable fees during the period of time it owns the

Property. The Property shall be subject to inspection or examination by the City, or its authorized representative(s), at any reasonable time. Keys will be provided to the City for project properties at the time the unit is closed in.

C. Property Standards. At the time of initial occupancy by a qualified buyer, the Property shall comply with all applicable codes and ordinances; City Housing Rehabilitation Standards; applicable federal, state and local laws, regulations and requirements; and program terms and conditions of the attached NSP grant and NDED contract number 093N11.

D. Oversight of Redevelopment. The Developer shall be responsible for ensuring that all redevelopment work is carried out in accordance with all applicable laws, codes, rules, regulations, standards and ordinances. During construction, HDC will pay utilities; upkeep costs such as mowing and weed control; construction insurance; property taxes; and other miscellaneous expenses related to project development will be reimbursable through the program, all of which are eligible costs.

E. Review of Plans and Specifications. Prior to commencing construction, the Developer shall submit to the City for review and approval, plans, specifications and other information, in form and substance acceptable to the City, describing the proposed redevelopment work on the Property. The Developer shall incorporate into the plans and specifications any changes or additions the City determines necessary to meet the property standards set forth in this Agreement.

F. Final Development Budget. The Developer shall submit a final development budget for the Property to the City. The development budget shall be in a form and substance acceptable to the City, and provide detailed information on costs related to the redevelopment and sale of the Property.

G. Projected Post-rehabilitation Market Value. The Developer shall provide the City with a projection of the post-redevelopment market value of the Property.

H. Environmental Requirements. The Developer shall comply with all environmental related requirements that the City determines necessary.

I. Commencement of Work. The Developer shall not commence construction or redevelopment activities or any other work that results in a physical change to the Property until written approval is granted by the City. The minimum requirements listed below shall be complied with prior to the City granting of written approval to commence work. The City reserves the right to grant written approval to commence work that is limited in scope and nature prior to these requirements being met, and/or require that additional requirements other than those specified below be met prior to granting approval to commence work.

1. The City has completed an environmental review of the Property.
2. All applicable property acquisition requirements have been completed.

3. The City has a completed Third Party Appraisal or a written estimate of the post-rehabilitation market value of the Property.

4. The specifications and plans for the redevelopment of the Property have been submitted to and approved by the City.

5. A development budget for the Property showing the total development cost and sources and uses of funds has been submitted to and approved by the City.

6. The Developer has obtained a Building Permit and has obtained all other necessary approvals, permits, and licenses.

7. All applicable insurance and bonding requirements have been complied with.

8. The Developer has recorded a notice of commencement with the Register of Deeds after recording the construction trust deed.

J. Change Orders. All change orders shall be in writing and shall be submitted to the City for review and approval prior to any change in the scope of work being approved or implemented by the Developer. A copy of each change orders approved by the Developer shall be provided to the City immediately after execution.

K. Lien Waivers. The Developer shall obtain lien waivers from all parties providing labor, materials or equipment for the rehabilitation of the Property. The Developer shall immediately notify the City in writing if a Claim or Lien is filed by any party that has provided labor, materials or equipment for the rehabilitation or construction of the Property. The notification shall include the name of the party filing the claim, the amount of the claim, a description of the circumstances surrounding the filing of the claim and actions taken and/or planned by the Developer to resolve the situation.

L. Completion of Redevelopment. The Developer shall commence work no later than six months (6) after demolition of the Property and complete the redevelopment of the Property no later than April 1, 2011, unless otherwise agreed to in writing by the City.

IV. OCCUPANCY AND BUYER ELIGIBILITY REQUIREMENTS

A. Occupancy of Property. The Property shall not be occupied without the prior, written approval of the City. Prior to granting approval to occupy the Property, the minimum requirements listed below shall be met.

1. Certificate of occupancy issued by the City Building Department.
2. Construction has been completed in accordance with program guidelines.
3. Appropriate lease/purchase documents have been approved by the City and executed by the parties.

B. Income Eligibility. At the time of sale or lease of the Property, the Buyer shall meet program eligibility requirements. No unsupervised visits by potential homeowners will be allowed at any time. The City, in coordination with the Housing Development

Corporation, will make arrangements with the on-site construction supervisors to show the unit during construction and City and/or HDC staff will accompany potential buyers.

V. SALE AND CONVEYANCE OF THE PROPERTY

A. Purchase Agreement. In general, the Developer shall not enter into a purchase agreement with a Buyer until approved by the City.

B. Minimum Sale Price. The minimum sale price shall initially be established at the market value of the Property as determined by the City. Subsequent adjustments to the minimum sale price may be made in consultation with and approval of the City. In no event shall the sales price of the Property exceed the total development cost of the Property, including the developer fee.

C. Closing on Sale of the Property. The Developer shall provide the City written notice of the closing on the sale of the Property. The following shall occur at closing:

1. The Developer shall repay City financing as specified in this Agreement less the subsidy grant and developer fee. The City shall release the trust deed lien upon such repayment and receipt of waivers from all contractors and vendors.
2. The Developer shall convey ownership of the Property to the Buyer by Warranty Deed.
3. The Buyer shall execute security documents and promissory note to the City for any down payment assistance.

D. Sale on Lease/Purchase Basis. In the event the City and the Developer agree that the Property may be sold on a lease/purchase basis, appropriate documents will be submitted to the City for approval and execution prior to occupancy.

VI. REPORTING REQUIREMENTS

A. Prior to closing on the sale of the Property to a Buyer, the Developer shall provide the City with a detailed statement of the total development cost for the Property. The total development cost includes, but is not limited to, all redevelopment and closing costs. The City reserves the right to request documentation of any cost shown in the statement and to make the final determination on the eligibility of any cost contained in the statement of total development cost.

VII. BUDGET AND METHOD OF PAYMENT

A. Amount of Agreement. The Developer shall be reimbursed by the City for all actual, allowable costs under the terms of this Agreement in an amount not to exceed program guidelines. This amount may be increased, at the sole discretion of the City, with the written approval of the Community Development Administrator and program coordinator.

B. Method of Payment. The City shall provide payment to the Developer for actual, allowable costs under the terms of this Agreement, upon submission of required documentation to the City, and after approval of such documentation by the City. The funds may not be requested until such funds are needed for the payment of eligible costs. The amount of each request shall be limited to the amount needed, as determined by the City.

VIII. MISCELLANEOUS PROVISIONS

A. This agreement contemplates one or more projects funded through the Nebraska Department of Economic Development Neighborhood Stabilization Program. Other developers may be used by the City and the number of projects in which the HDC will participate is not guaranteed nor is the HDC the exclusive developer under this program.

B. This agreement will automatically renew for projects financed by reuse funds from the original projects contemplated by this Agreement unless notice is received from either party to terminate the agreement. Notwithstanding such automatic renewal, nothing in this agreement shall obligate the City or the Developer to participate in future projects with each other or to prevent the City from engaging any other person or entity as a developer for future projects.

Effective this 15th day of December, 2009

Margaret Hornady, Mayor
CITY OF GRAND ISLAND

Linda Addison, Executive Director
HOUSING DEVELOPMENT CORPORATION

DEVELOPMENT AGREEMENT
NEIGHBORHOOD STABILIZATION PROGRAM
CITY OF GRAND ISLAND, NEBRASKA AND
GRAND ISLAND AREA HABITAT FOR HUMANITY, INC.

THIS AGREEMENT is approved as of this 15th day of December, 2009, by and between the CITY OF GRAND ISLAND, NEBRASKA, located at 100 East First Street, Grand Island, Nebraska 68801, hereinafter referred to as the "City," and GRAND ISLAND AREA HABITAT FOR HUMANITY, INC., whose principal office is located at 410 W. 2nd St., Suite 6, Grand Island, NE, hereinafter referred to as the "Developer" or "Habitat."

IT IS AGREED by and between the parties as follows:

I. PERIOD OF PERFORMANCE

The activities described in this Agreement are to begin no later than July 31, 2010, and shall be completed no later than June 1, 2011. All eligible activities are limited to the above time period, with the exception of eligible activities specifically approved by the City. This Agreement shall remain in full force and effect with respect to the Developer until such time the Property has been conveyed to a qualified homebuyer under the terms and conditions of this Agreement.

II. GENERAL ACTIVITIES AND DEFINITIONS

A. Project Summary. The City will acquire certain parcels of real estate for demolition and redevelopment through the Neighborhood Stabilization Program (NSP). To the extent possible, input from GRAND ISLAND AREA HABITAT FOR HUMANITY, INC. will be included in the decision-making process regarding which properties are acquired for demolition and redevelopment. In the property selection process, the floor plan design of GRAND ISLAND AREA HABITAT FOR HUMANITY, INC. will be considered in relation to lot size and location.

When the demolition is completed, the City will transfer the property to the GRAND ISLAND AREA HABITAT FOR HUMANITY, INC. retaining a trust deed or mortgage lien. Upon completion of redevelopment in accordance with the terms and conditions of this Agreement, the Property shall be sold to an eligible household consistent with the Neighborhood Stabilization Program grant and contract 093N11 with the Nebraska Department of Economic Development (NDED) both of which are attached hereto and incorporated herein by reference.

B. Development Schedule. Prior to the commencement of redevelopment, the Developer shall submit a development schedule for the Property. The development schedule shall be in sufficient detail to allow the City to monitor the progress of the Developer in completing its obligations under this Agreement.

III. ACQUISITION, PRE-DEVELOPMENT AND CONSTRUCTION REQUIREMENTS

A. Acquisition. The City will acquire properties for demolition in accordance with all applicable City and Neighborhood Stabilization Program requirements. If Habitat owns a qualifying property, the City may elect to provide demolition assistance. In that event, Habitat will comply with the terms of the NSP grant and NDED contract with respect to construction of improvements and sale to a qualified buyer.

B. Compliance with Applicable Codes. The Developer shall comply with all applicable codes and pay all applicable fees during the period of time it owns the Property.

C. Property Standards. At the time of initial occupancy by a qualified buyer, the Property shall comply with all applicable codes and ordinances; City Housing Minimum Housing Standards; applicable federal, state and local laws, regulations and requirements; and program terms and conditions of the attached NSP grant and NDED contract number 093N11.

D. Oversight of Redevelopment. The Developer shall be responsible for ensuring that all redevelopment work is carried out in accordance with all applicable laws, codes, rules, regulations, standards and ordinances.

E. Completion of Redevelopment. The Developer shall commence work no later than six months (6) after demolition of the Property and complete the redevelopment of the Property no later than April 1, 2011, unless otherwise agreed to in writing by the City.

IV. OCCUPANCY AND BUYER ELIGIBILITY REQUIREMENTS

A. Income Eligibility. At the time of sale or lease of the Property, the Buyer shall meet program eligibility requirements.

B. Minimum Sale Price. The minimum sale price shall be consistent with the terms and conditions of the NSP grant and NDED contract.

C. Closing on Sale of the Property. The Developer shall provide the City written notice of the closing on the sale of the Property. The City shall release the trust deed lien upon receipt of documentation that all grant conditions have been satisfied. A developer fee of \$4,000 will be disbursed to Habitat after closing on the sale of the Property to an income eligible buyer and the submission of all required reports and documentation determined necessary by the City.

V. MISCELLANEOUS PROVISIONS

A. This agreement contemplates one or more projects funded through the Nebraska Department of Economic Development Neighborhood Stabilization Program. Other developers may be used by the City and the number of projects in which HABITAT will participate is not guaranteed nor is HABITAT the exclusive developer under this program.

B. This agreement will automatically renew for projects financed by reuse funds from the original projects contemplated by this Agreement unless notice is received from either party to terminate the agreement. Notwithstanding such automatic renewal, nothing in this agreement shall obligate the City or the Developer to participate in future projects with each other or to prevent the City from engaging any other person or entity as a developer for future projects.

Effective this 15th day of December, 2009

Margaret Hornady, Mayor
CITY OF GRAND ISLAND

Dana Jelinek, Executive Director
GRAND ISLAND AREA HABITAT FOR HUMANITY, INC.

RESOLUTION 2009-318

WHEREAS, the City of Grand Island, Nebraska was awarded a \$993,000 Neighborhood Stabilization Program (NSP) grant from the Nebraska Department of Economic Development; and

WHEREAS, the grant will enable the city to purchase and demolish at least six (6) vacant, blighted structures and redevelop the lots into six (6) new homes,

WHEREAS, Habitat for Humanity and the Housing Development Corporation are non-profit housing developers partnering on the grant and are eligible to redevelop at least three properties each,

WHEREAS, the City must enter into a Housing Developer Agreement with each organization to move forward with construction of new housing.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that:

The City of Grand Island, Nebraska is hereby authorized to enter into Housing Developer Agreements with Habitat for Humanity and the Housing Development Corporation and the Mayor is hereby authorized and directed to execute such contracts.

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Adopted by the City Council of the City of Grand Island, Nebraska, December 15, 2009.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form ☐ _____
December 10, 2009 ☐ City Attorney