



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 3/7/2017

District D

Item Creation Date: 2/27/2017

HCD17-21 Purchase and Sale Agreement with Houston Community College

Agenda Item#:

Summary:

AN ORDINANCE AUTHORIZING THE PURCHASE OF APPROXIMATELY 9.177 ACRES OF LAND OUT OF THE G.P. FOSTER SURVEY, ABSTRACT NO. 273, HARRIS COUNTY, TEXAS (THE "PROPERTY"), FOR A PURCHASE PRICE OF \$13,850,000.00 AND RELATED CLOSING COSTS OF \$12,000.00; APPROVING AND AUTHORIZING A PURCHASE AND SALE AGREEMENT FOR THE PROPERTY BETWEEN HOUSTON COMMUNITY COLLEGE, SELLER, AND THE CITY OF HOUSTON, TEXAS, PURCHASER; APPROVING AND AUTHORIZING THE SUBMISSION OF APPLICATIONS TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") FOR THE USE OF FUNDS PROVIDED UNDER SECTION 108 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 AND FOR THE USE OF ECONOMIC DEVELOPMENT INITIATIVE GRANT FUNDS (COLLECTIVELY, THE "HUD FUNDS") TO FUND THE PURCHASE OF THE PROPERTY; DECLARING THE CITY'S ELIGIBILITY FOR THE HUD FUNDS; AUTHORIZING THE DIRECTOR OF THE HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT TO ACCEPT THE HUD FUNDS AND EXPEND THE HUD FUNDS, IF AWARDED, TO FUND THE PURCHASE OF THE PROPERTY, AND TO APPLY FOR AND ACCEPT ALL SUBSEQUENT AWARDS, IF ANY, PERTAINING TO THE USE OF THE HUD FUNDS TO FUND THE PURCHASE OF THE PROPERTY; CONTAINING FINDINGS AND PROVISIONS RELATING TO THE SUBJECT; AND DECLARING AN EMERGENCY.

Background:

The Housing and Community Development Department recommends approval of an ordinance authorizing a Purchase and Sale Agreement between the City (Purchaser) and Houston Community College (HCC) (Seller) for the purchase of 9.177 acres land located on the northeast corner of Highway 288 and North MacGregor Way (Property) to be used for the development of a grocery store in a low-to-moderate income service area. The purchase of the Property is subject to approval from the U.S. Department of Housing and Urban Development (HUD) to use loan funds provided under Section 108 of the Housing and Community Development Act of 1974 (Section 108) and Economic Development Initiative Grant (EDI) Funds to fund the acquisition. These Section 108 and EDI Funds may be used for an Area Benefit Activity such as providing a quality grocery store to a low-to-moderate income neighborhood. The purchase of the Property is also subject to environmental clearance, receipt of the Authority to Use Grant Funds (AUGF) from HUD, and any other necessary environmental approvals.

The purchase price is \$13,850,000, plus an additional closing cost of \$12,000. Furthermore, \$11,000,000 to be paid to HCC at closing and \$2,850,000 to be escrowed and paid to HCC no

later than 18 months after the closing date. The EDI funds will not be contributed as grant funds. Instead, the City expects both the Section 108 and the EDI funds to be fully repaid.

In the coming months, the City Council will be asked to approve a lease and development agreement for the Property with Houston Housing Finance Corporation (HHFC), which will become effective when the City closes on the acquisition of the Property from HCC and will contain an option for HHFC to purchase the Property. HHFC will in turn enter into a sublease with HEB for the design and construction of a 72,000 square-foot grocery store on the Property at an estimated development cost of \$20 million, which will be funded by HEB and its investors. The grocery store will create approximately 250 jobs for the community. The purchase option may be exercised by HHFC approximately 12 months after the City acquires the Property from HCC, at which time the sublease between HHFC and HEB will become a long-term lease.

Upon the receipt of the Certificate of Occupancy, at which point the development will achieve the HUD national objective (Area Benefit Activity) for use of the funds, HHFC may sell the Property, provided the City will receive at closing the remaining balance on the full amount of \$13,862,000.00 invested from the Section 108 and EDI Funds.

\$13,850,000.00	Purchase Price
<u>\$12,000.00</u>	Estimated Closing Cost
\$13,862,000.00	Estimated Total

Amount of Funding:

\$8,800,000.00	EDI Grant (Fund 5000)
<u>\$5,062,000.00</u>	Section 108 Loan (Fund 5001)
\$13,862,000.00	TOTAL



Tom McCasland, Director

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