

**Meeting Agenda
State College Borough
CDBG/Citizen's Advisory Committee
April 2, 2019
Room 241 / Noon**

I. Call to Order

II. Roll Call

Selden Smith, Chair
Rebecca Misangyi, Vice-Chair
Alexis Burke
David Gaines
Jason Olcese
Marcia Patterson
Bruce Quigley

III. Approval of Minutes – March 12, 2019

IV. Chair Report

V. Public Hour - Hearing of Citizens

VI. State College Borough Resale/Recapture Policy

During the last meeting of the CAC, questions were asked about the resale/recapture policy that has been revised by the CAC in 2017 and 2018. The detailed policy is attached for review and discussion.

Attached: Current Resale/Recapture Policy

Action Needed: No action required - review and discuss

VII. Review of CDBG-Funded Capital Improvement Projects 2019 - 2023

Traditionally, State College Borough budgets roughly half of its annual CDBG allocation for public facilities activities such as street reconstruction, installation of streetlights, or similar projects. Staff of the Public Works Department and the Planning Department collaborated to recommend the allocation of CDBG funds for public facilities projects over the next five years.

Attached: Current Capital Improvement Projects 2019-2023 and Map

Action Needed: No action required - review and discuss

VIII. Upcoming Meeting

Tuesday, May 7, 2019 at Noon

IX. Adjournment

**Meeting Minutes
State College Borough
CDBG/Citizen's Advisory Committee
March 12, 2019**

The State College Borough Community Development Block Grant/Citizen's Advisory Committee (CDBG/CAC) meeting was called to order by Chairman Smith on Tuesday, March 12, 2019 at 12:08 p.m. in the Municipal Building, 243 South Allen Street.

Members Present

Selden Smith, Chair; Rebecca Misangyi, Vice-Chair; Jason Olcese; Marcia Patterson; and Bruce Quigley

Members Absent

Alexis Burke
David Gaines

Others Present

Maureen H. Safko, Senior Planner; and Denise L. Rhoads, Administrative Assistant

Approval of Minutes

A motion was made by Ms. Patterson and seconded by Mr. Olcese to approve the February 5, 2019 minutes as submitted. The vote was unanimously in favor.

Chair Report

Chairman Smith's Public Service Agency Site Visit Recap

- **House of Care:** CAC learned the program was not just for hospice care. The program was also for those that had no support, no family and had a physical or mental incapacity. The program started out as an AIDS hospice agency. Phil Jones was currently the director who was also a pastor.
- **Burrowes Street Youth Haven (BSYH) and Independent Living (IL):** CAC learned the program was for teenagers who were not necessarily runaways but, included those from homeless families, and ages ranged from 13-21 years. The goal of the program was for the residents to learn everyday skills along with budgeting, and how to live on their own. BSYH was located next door to IL. Counseling was also provided, and participants needed parents' permission to enter the program. Ms. Misangyi stated after a person had completed their 30-days, if the need arose, they could go back for a day or two.
- **State College Community Land Trust (SCCLT):** Mr. Olcese asked what the advantage was in buying one of these homes because you did not own the land. Ms. Safko stated the Borough had been addressing this with the resale/recapture policy making it more advantageous to purchase these homes.

- **Centre Safe (formerly Women's Resource Center):** Had a strictly controlled access procedure. Mr. Smith stated he was impressed with all these organizations.
- Mr. Smith stated he wanted to defer the recap on Housing Transitions Inc, until Mr. Gaines was available to give his report.

CAC comments included:

- Mr. Olcese asked how much funding the CAC provided for these agencies. Mr. Smith stated the bulk of funding did not come from the Borough.
- Ms. Patterson stated all of these agencies depended on volunteers as well. Mr. Smith stated they were all funded through United Way, too.
- Mr. Olcese asked if the CAC got to decide how much funding went to each agency. Mr. Smith stated there were constraints by the Housing and Urban Development department. Ms. Safko stated the CDBG guidelines limited the percentage that could be allocated to each agency.
- Mr. Quigley stated the Borough had more leverage by allocating smaller amounts to the agencies.
- Mr. Olcese stated he would like a chance to visit the agencies in the future.

Public Hour

There were no public members present.

Public Hearing on Program Performance

Ms. Safko's PowerPoint presentation included:

- She noted the report was on the Borough's performance of the prior year (2018).
- HOME Investment Partnership Program (HOME) funding had an 84% increase, and CDBG had over a 10% increase.
- She noted the current federal budget was looking favorable.

Mr. Quigley asked if receiving federal funds was different than receiving county funds. Ms. Safko stated HOME funds were done similarly to county funds and used a Citizens Participation Plan.

FY 2018 Grant Allocations:

- CDBG - \$536,621
- HOME - \$589,983

FY 2018 CDBG Budget:

- Affordable Housing
 - Temporary Housing Foundation, Inc. (THF) Rental Acquisition/Rehabilitation Program - \$220,236
 - First-Time Homebuyer (FTHB) Acquisition/Rehabilitation - \$98,960
- Infrastructure
 - Streetlight and Curb Cut Replacements - \$29,607

Ms. Safko stated CAC normally gave \$250,000 to Public Works for infrastructure. She noted in 2018, the Borough had a large amount

of money left over from past years that needed to be used and staff utilized those funds first.

- Public Services – 15% Limit - \$80,493
- Administration – 20% Limit - \$107,324

TOTAL: \$536,324

FY 2018 HOME Budget:

- Housing
 - SCCLT FTHB Program - \$389,605
 - THF FTHB Program - \$111,880 (In 2018, since THF had agreed to move more toward affordable rental housing, the larger amount of funding was allocated to SCCLT to allow for more owner-occupied housing)
- Community Housing Development Organization (CHDO) Operating Support (capped at 15%) In prior years, the Borough would vary the allocation of the funds from year to year between THF and SCCLT. Currently, the Borough divided the funding in half so each CHDO received their share.
 - SCCLT CHDO Operating Support - \$14,750
 - THF CHDO Operating Support - \$14,750
- Administration – 10% Limit - \$59,998

TOTAL: \$590,983

Financial Status 2018 Year-end:

- CDBG

➢ 2017 End of Year Balance	\$570,985.49
➢ 2018 Allocation, plus Program Income (satisfaction of loans)	<u>\$639,496.92</u>
➢ Total CDBG Available in 2018	\$1,210,842.41
➢ Expended in 2018	<u>\$ 731,570.89</u>
➢ 2018 End of Year Balance	\$ 478,911.52
- HOME

➢ 2017 End of Year Balance	\$234,162.63
➢ 2018 Allocation, plus Program Income	<u>\$653,378.43</u>
➢ Total HOME Available in 2018	\$887,541.06
➢ Expended in 2018	<u>\$558,004.15</u>
➢ 2018 End of Year Balance	<u>\$329,536.91</u>

CDBG Goals in 2018:

Affordable Housing	Goal – 1	Actual – 1
• FTHB Acquisition/Rehabilitation	Goal – 1	Actual – 1
• THF Rental Acquisition/Rehabilitation (2018/2019)	Goal – 7	Actual – 0

Ms. Safko stated the Borough had the capability to utilize Inclusionary Housing (IH) funds as well. Developers had the ability to decide if they would build IH units within a

housing project, pay a fee-in-lieu, or build a separate housing unit to accommodate the IH requirements.

Mr. Olcese asked if the IH units were subsidized by Borough funds received. Ms. Safko stated they were not, and the building owner worked with the Borough to know which units were IH.

Mr. Quigley asked if the payment standard came into play such as a Housing Voucher. Ms. Safko stated they did not. Mr. Quigley also asked if the FTHB worked with the Housing Authority of Centre County. Ms. Safko stated the Borough did work with them. He stated he would encourage using this Housing Choice Voucher moving forward.

Infrastructure

	<u>Project Completed</u>	
	<u>Goal</u>	<u>Actual</u>
Bellaire Court Rehabilitation	2016	2018
Streetlight/Curb Replacement (College Avenue Garner to High)	2017	2018
Ms. Safko noted the project was completed in 2017 but due to an amendment it was not shown to be completed until 2018.		
Streetlight/Curb Replacement (100 Blocks: McAllister, Locust, Heister)	2018	2018
Calder Way Curb Cut Replacement	2018	2018

Public Services:

	<u>People Served</u>	
	<u>Goal</u>	<u>Actual</u>
Centre County Women's Resource Center	125	107
Housing Transitions, Inc.	70	91
Burrowes Street Youth Haven	30	13
Stepping Stone Transitional Living Program	10	10
House of Care	5	5

HOME Goals in 2018:

	<u>FTHB Assisted</u>	
	<u>Goal</u>	<u>Actual</u>
SCCLT	1	1
<ul style="list-style-type: none"> • CLT60 – completed in 2017 reported in 2018 • CLT65 – completed in 2018 reported in 2019 • CLT63 – completed one resale in 2018 creating an additional FTHB household 		
THF	1	1
<ul style="list-style-type: none"> • THF30 – completed in 2017 reported in 2018 • THF31 – completed in 2018 reported in 2019 		

Ratio of 2018 Expenditures

- Timeliness ratio for CDBG was 1.33 (required ratio was 1.5 or less) this was a comparison of funds spent to funds not spent.

- HOME commitment, and expenditure deadlines were met in 2018.

Ms. Safko stated if the Borough violated the ratio timeliness for two years in a row, they would get penalized.

Goals for 2019:

- Owner-Occupied Housing Rehabilitation Goal 1
- FTHB Acquisition/Rehabilitation Goal 1
- SCCLT FTHB Goal 1
- THF FTHB Goal 1
- THF Rental acquisition/Rehabilitation Goal 1
- Streetlight/Curbs (Sowers, Hetzel, Foster) (as of this meeting, Pugh Street would be added to this list) Complete
- Human Service Agency Beneficiaries Goal 237

Upcoming Meeting

Tuesday, April 2, 2019

Adjournment

With no further business to discuss, the meeting was adjourned at 1:45 p.m. by Ms. Misangyi and seconded by Ms. Patterson. The vote was unanimously in favor.

Respectfully submitted,

Denise L. Rhoads,
Administrative Assistant

Borough of State College's Resale/Recapture Provisions

In accordance with 24 CFR 92.254 as amended by the 2013 HOME Final Rule, to ensure affordability, the Borough must impose either resale or recapture requirements during the HOME period of affordability. The Borough's First Time Home Buyer Programs (Low- and Middle-Income) and the Transitional Housing Foundation First Time Home Buyer Program (THF FTHB) use recapture requirements. Resale provisions apply to the State College Community Land Trust First Time Home Buyer Program (SCCLT FTHB).

The following table outlines the required HOME Program minimum affordability periods.

If the total HOME investment (resale) or direct subsidy (recapture) in the unit is:	The period of affordability is:
Under \$15,000	5 years
Between \$15,000 and \$40,000	10 years
Over \$40,000	15 years

At its option, the Borough chose to impose local extended periods of affordability for various components of this Resale/Recapture Provisions policy. For example, the FTHB Programs of State College Borough and THF apply recapture requirements for a 30-year period. The SCCLT FTHB Program employs a 99-year ground lease to enforce continued affordability. While resale/recapture provisions, and residency requirements, remain in effect throughout the locally extended periods of affordability, other requirements of the HOME Program, and cross-cutting requirements, expire in accordance with the HOME periods of affordability identified in the chart above.

The following guidelines are used in completing the FTHB Mortgage Satisfaction Process worksheet.

Resolution of Impact Resulting from Changes Made to Resale/Recapture Provisions on April 4, 2016

On April 4, 2016, Borough Council voted to approve a Consolidated Annual Action Plan for 2016, which established that participants in the First Time Home Buyer Programs of THF and State College Borough are required to pay 100% of the FTHB assistance to the Borough.

Meanwhile, participants who purchased homes through these programs prior to the April 4, 2016 date received loan forgiveness at a rate of 3.33% annually until the mortgages securing their FTHB assistance were fully forgiven after the local extended thirty-year period of affordability expired.

In January of 2005, the Borough's Resale/Recapture Provisions had been amended to include a shared equity provision (detailed below). Homeowners who purchased home after April 4, 2016 were therefore subject to both 100% repayment of assistance and the shared equity requirement. As a result, home buyers participating in these FTHB Programs were not able to realize the benefits of homeownership. Requiring both 100% recapture of assistance and shared equity was a disincentive to program participation.

To resolve the impact resulting from the changes made to the Resale/Recapture Provisions on April 4, 2016, the shared equity requirements apply only to those properties purchased prior to April 4, 2016 that receive the benefit of loan forgiveness.

Recapture Guidelines for FTHB Programs of Borough of State College & THF

The Borough of State College uses HOME funds to assist First Time Home Buyers with down payment and closing cost assistance. Through recapture provisions, program participants (who purchased homes after April 4, 2016) are required at the Maturity Date (defined below) to pay 100% of the FTHB assistance to the Borough. (Those program participants who purchased homes prior to April 4, 2016 receive the benefit of loan forgiveness defined in their respective mortgages and notes.)

The following describes the recapture requirement used for the Borough's FTHB Programs and the THF FTHB Program.

Monthly principal and interest payments are not required. Payment of the full principal which, if not sooner paid, shall be due and payable on the Maturity Date, being the earlier of:

- (A) the date when title, or any interest in the property, is transferred by deed, article of agreement, or lease;
- (B) the date when the first mortgage upon the property is refinanced;
- (C) the date when the first mortgage upon the property is paid in full;
- (D) the date when the property is no longer the Borrower's primary residence;
- (E) the date when either the first mortgage upon the property or the Borough's subordinate mortgage, or this note, is in default.

In the event the property is sold and the net proceeds (the gross sales price minus the loan pay-off of the superior debt and customary and reasonable closing costs incurred by owner to sell the property) are not sufficient to repay the CDBG (or HOME) subsidy due at the time of sale and the owner's down payment and any capital improvement investment made by the owner since purchase, the net proceeds shall be divided proportionally as set forth in the following mathematical formulas:

$$\frac{\text{CDBG (or HOME) subsidy}}{\text{CDBG (or HOME) subsidy} + \text{owner investment}} \times \text{net proceeds} = \text{Amount to Borough}$$

$$\frac{\text{owner investment}}{\text{CDBG (or HOME) subsidy} + \text{owner investment}} \times \text{net proceeds} = \text{Amount to Owner}$$

Example Calculation

Sale Price of Home	\$158,000.0
0 Less Loan Pay-Off of the Superior Debt	
110,000.00	
Less Estimated Closing Costs	<u>7,900.00</u>
Net Proceeds	\$ 40,100.00

Owner Original Investment	\$ 5,000.00
Plus Borough Subsidy	<u>51,621.00</u>
Combined Investment	\$ 56,621.00

$$\frac{51,621}{56,621} \times 40,100 = \$36,558.91 = \text{Amount to Borough}$$

$$\frac{5,000}{56,621} \times 40,100 = \$3,541.09 = \text{Amount to owner}$$

Shared Equity Guidelines for FTHB Programs of Borough of State College & THF

These Shared Equity Guidelines pertain only to homes purchased through the FTHB Programs of Borough of State College & THF prior to April 4, 2016.

As of January 1, 2005, both the Borough's FTHB Program and the THF CHDO Homebuyer Programs use a shared equity formula. If the property appreciates in value, upon the sale of the house, the proceeds (sales price, less first mortgage payoff, less transaction costs, less owner original investment, less Borough original subsidy, and less homeowner's approved capital improvement investments) are divided between the homeowner and the Borough based on a proportional scale. The longer the homeowner remains in the home and continues to pay the principal on the primary loan balance, and is not in default of any of the conditions of the primary or secondary loan, the larger the share of proceeds the homeowner receives at the time of sale.

If the Homeowner sells the home prior to the first anniversary of the Borough FTHB assistance loan then 100% of all equity earned in the home at the time of sale is received by the Borough. The homeowner is not entitled to any equity earned in the home prior to the first anniversary of the Borough's loan to the homeowner. Upon each subsequent anniversary date of the loan, the homeowner retains an additional 3.33% of the equity earned in the property. If the homebuyer remains the owner and principal resident of the property for thirty (30) years, the Borough is no longer entitled to any share of the equity earned in the property.

Example Calculation: Low income homeowner sold in year 6

Sale Price of Home	\$158,000.00
Less First Mortgage Pay-Off	77,254.00
Less Estimated Closing Costs	<u>7,900.00</u>
Net Proceeds	\$ 72,846.00
Owner Original Investment	\$ 5,000.00
Plus Borough Subsidy	<u>51,621.00</u>
Combined Investment	\$ 56,621.00
Net Proceeds	\$ 72,846.00
Less Combined Investment	<u>56,621.00</u>
Proceeds	\$ 16,225.00

Based on the above scale for 6 years of ownership the proceeds would be distributed at \$3,241.76 to the Homeowner ($3.33\% \times 6 \text{ years} = 19.98\%$ of equity) ($\$16,225 \times .1998 = \$3,241.76$) and \$12,983.24 to the Borough ($100\% - 19.98\% = 80.02\%$) ($\$16,225 \times .8002 = \$12,983.24$). In addition to the shared equity proportional distribution, the Borough and the homeowner will receive their original investments.

After 30 years of ownership, the Shared Equity provision is eliminated.

Resale Provisions for SCCLT's FTHB Program

Following is a description of the resale provisions covering the SCCLT's FTHB Program.

Affordability

Two separate affordability periods apply to the programs:

1. The HOME affordability period, based on the total amount of HOME funds used to assist the property, with the following requirements:
 - a. Adherenceto all HOME Investment Partnership Program regulations, including monitoring and federal cross cutting regulations.
 - b. All requirements in the Ground Lease.
2. Extended Period of Affordability, extending the affordability period to 99 years once the HOME affordability ends, with the following requirements:
 - a. All requirements in the Ground Lease.

The homeowner may sell only to SCCLT or another income eligible homebuyer (income not to exceed 80% of AMI.) In the event the resale price (which provides a fair return to the original homebuyer) is not affordable to the next income-eligible homebuyer, non-HOME funding would be used for down payment assistance.

Enforcement

The SCCLT uses resale provisions which are included in and enforced through a 99-year ground lease executed between the SCCLT and the homebuyer. A memorandum of the ground lease is recorded; and the deed reflects that there is a ground lease.

Purchase Option Price

The Purchase Option Price is the maximum allowable resale price of the Improvements and is equal to the lower of 1 or 2 below:

1. The Formula Price, which is defined as:
 - a. the Homeowner's Base Price plus interest at a rate of 2.00% compounded annually;
 - b. plus any applicable Credit for Qualified Capital Improvements (see below for definition;)
 - c. less any Excessive Damage Charges. Excessive Damage Charge is the charge for repairs, replacements, or maintenance, not completed by the homeowner, due to failure to maintain the property in good, safe, habitable, and workable condition.

Or

2. If SCCLT believes that the value of the Homeowner's Ownership Interest at Resale might be less than the Formula price, an appraisal will be commissioned to determine the Appraised Value of Homeowner's Ownership Interest at Resale, which is defined as:

- a. The appraised value of the Leased Land and Home at time of resale multiplied by the Ratio of Base Price to Initial Value (equals the Homeowner's Base Price divided by the appraised value of the Leased Land and Home at time of purchase;)
- b. plus any applicable Credit for Qualified Capital Improvements (see below for definition;)
- c. less any Excessive Damage Charges. Excessive Damage Charge is the charge for repairs, replacements, or maintenance, not completed by the homeowner, due to failure to maintain the property in good, safe, habitable, and workable condition.

Fair Return on Investment

The Purchase Option Price should provide a fair return to the homeowner based on the homeowner's original investment in the property and the increase in market value attributable to capital improvements to the property.

Homeowner's Investment:

A fair return on the homeowner's original investment equals the amount of the investment plus the amount of investment multiplied by the percentage increase of the appropriate standard (i.e., 2.00% compounded annually or Ratio of Base Price to Initial Value.)

Capital Improvements:

A fair return on the homeowner's capital improvements equals the cost of the capital improvement plus the cost of the capital improvement multiplied by the percentage increase of the appropriate standard (i.e., 2.00% compounded annually or Ratio of Base Price to Initial Value.) A Qualified Capital Improvement is limited to the following construction or alterations:

- a. the addition of a bedroom;
- b. the addition of a bathroom;
- c. an addition or modification that increases accessibility or utility for persons with a disability; and/or
- d. upgrades that increase the energy efficiency.

To receive a Credit for Qualified Capital Improvement for the cost of the capital improvement, the homeowner must obtain prior written approval from SCCLT.

Example Calculation

In 2014 an income eligible homebuyer purchases a home from SCCLT for \$126,000 (Homeowner's Base Price). The homebuyer contributes a down payment of \$3,780 (3%, which equals the Homeowner's Investment) and is provided \$6,300 in closing cost assistance in the form of a no-interest loan to be repaid at time of resale.

In 2018, the homeowner receives a \$5,000 Credit for Qualified Capital Improvement for the approved installation of a new bathroom.

In 2019, the homeowner decides to sell the home. No Excessive Damage Charges were charged.

Following is the calculation of the Purchase Option Price using the Formula Price option:

Homeowner's Base Price	\$126,000
Plus 2% compounded annually over 5 years	\$ 13,115
Plus Credit for Qualified Capital Improvement	\$ 5,000
Minus Excessive Damage Charges	\$ 0
Purchase Option Price	\$144,115

Following is the calculation for a Fair Return on Investment:

Homeowner's Investment	\$ 3,780
Plus 2% compounded annually over 5 years	\$ 394
Plus Credit for Qualified Capital Improvement	\$ 5,000
Plus 2% compounded annually over 1 year	\$ 100
Fair Return on Investment	\$ 9,274

Actual Homeowner's Return on Investment:

Purchase Option Price	\$144,115
Minus repayment of mortgage balance	\$121,000
Minus repayment of closing cost assistance	\$ 5,250
<u>Minus costs to sell house</u>	<u>\$ 3,000</u>
Actual Homeowner's Return on Investment	\$ 14,865

CDBG Capital Improvement Projects 2019 – 2023

2019 Total of CDBG Funded CIP Projects \$250,000

Street Light & Curb Ramp Replacements

- 8 lights on Sowers Street and curb ramp replacements as needed
- 10 lights on Hetzel Street and curb ramp replacements as needed
- With 10 lights on Foster Avenue between Allen and Pugh as an add alternate to the bid.

The addition of Foster Avenue lights would require use of CDBG funds left over from the 100 Block Street light/Curb Ramp Replacement Activity that came in under budget, leaving an expected CDBG balance of approximately \$90,000.

2020 Total of CDBG Funded CIP Projects \$232,000

Park Equipment Upgrades \$32,000

- East Fairmont Park playground equipment replacement and upgrades. Depending on the proposed scope of work there is the potential to use Borough CDBG funds to leverage additional Community Conservation Partnership Program funds available through the PA Department of Conservation and Natural Resources.

Bicycle Path Improvements \$200,000

- *Activity description under development*

2021 Total of CDBG Funded CIP Projects \$190,000

Street Light & Curb Ramp Replacements

- 5 lights on Garner Street and 2 curb ramp replacements

Street Reconstruction

- Burrowes Street paving reconstruction between W. College Avenue and W. Beaver Avenue including bus stop subbase reinforcement and concrete pad construction

2022 Total of CDBG Funded CIP Projects \$250,000

Street Light & Curb Ramp Replacements

- 18 new lights on Pugh Street between Beaver Avenue and Nittany Avenue and curb ramp replacements as needed

2023 Total of CDBG Funded CIP Projects \$250,000

Streetscape Improvements

- A plan for West End Neighborhood Streetscape Improvements to be developed in consultation with the neighborhood, which may include lighting, plantings, curb adjustments, etc. designed to improve pedestrian safety and enhance the western gateway to the Borough.

STATE COLLEGE BOROUGH CDBG CAPITAL IMPROVEMENT PROJECTS

