

**Meeting Agenda  
State College Borough  
Real Estate Advisory Committee  
Special Meeting  
January 13, 2017  
Room 242 / 9:00 a.m.**

- I. Call to Order**
- II. Roll Call**
- III. Reorganization of Committee**
- IV. Approval of Minutes**
- V. Chair Report**
- VI. Public Hour**
- VII. Program Evaluation**
  - A. Homestead Investment Program (HIP) Update
- VIII. Official Reports and Correspondence**
  - A. Borough Council
  - B. Redevelopment Authority
  - C. Staff Updates
  - D. 2017 Conflict of Interest Policy
- IX. Upcoming Meeting Date(s)**
- X. Adjournment**

*Documents:*

*Real Estate Advisory Committee - January 13, 2017.pdf*

**Meeting Agenda  
State College Borough  
Real Estate Advisory Committee  
Special Meeting  
January 13, 2017  
Room 242 / 9:00 A.M.**

- I. Call to Order – Ed LeClear**
- II. Roll Call**
  - Ron Madrid
  - Cathy Dauler
  - Peg Hambrick
  - Rich Kalin
  - Jesse Weber
- III. Reorganization of Committee**
- IV. Approval of Minutes – *November 4, 2016***
- V. Chair Report**
- VI. Public Hour - Hearing of Citizens**
- VII. Program Evaluation**
  - A. Homestead Investment Program (HIP) Update

At the REAC's November 2016 meeting, the committee requested staff begin developing program changes that would focus the program on capturing market rate housing and removing the student housing designation. Staff will review proposed changes to the program to better focus resources. Staff will also review the timeline for Council decision-making on establishing a new three-year line-of-credit in support of the program.
- VIII. Official Reports and Correspondence**
  - A. Borough Council
  - B. Redevelopment Authority
  - C. Staff Updates
  - D. 2017 Conflict of Interest Policy
- IX. Upcoming Meeting Date(s) - TBD**
- X. Adjournment**

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**Meeting Minutes  
State College Borough  
Real Estate Advisory Committee  
November 4, 2016**

The State College Borough Real Estate Advisory Committee (REAC) met on Thursday, November 4, 2016 in the State College Municipal Building, 243 South Allen Street in Room 242. Chairman Madrid called the meeting to order at 1:01 a.m.

**Members present:**

Cathy Dauler, Borough Council representative; Peg Hambrick, Focus Area representative; Richard Kalin, Planning Commission representative; and Ron Madrid, Focus Area representative.

**Also present:**

Ed LeClear, Planning Director; Jenna Wargo, Planner and Sarah E. Smith, Staff Assistant

**Approval of Minutes**

A motion was made by Mr. Kalin to approve the February 4, 2016 minutes as submitted and was seconded by Ms. Dauler. The vote was unanimously in favor.

**Chair Report**

Chairman Madrid had nothing to report.

**Public Hour**

No one was in the audience who wished to discuss items not on the agenda.

**Program Evaluation**

Homestead Investment Program (HIP) Update

Mr. LeClear gave an overview of the Community Development (HIP) Program. His presentation included:

- Gave a review of the HIP Program goals and the REAC charge
- Gave a review of the 2016 projected costs
  - Price write-down on 4 houses: \$160,917 (assuming a 4<sup>th</sup> sale at \$250,000)
  - Real Estate Commissions: \$54,381
  - Administrative cost: \$38,671
  - Carrying/Repair/Service costs: \$14,564
  - Interest on debt service: \$7,705
  - Indirect costs: \$3,560
  - Total 2016 Cost: \$272,093

- The costs were paid from the RDA Line-of-Credit. This will need to be repaid when the loan terminates in April 2017
- Gave a review of the 2017 proposed HIP budget
  - Projected seven acquisitions at \$285,000
  - Projected seven sales at \$255,000
  - Projected program costs:
    - Price write-down total for 7 houses: \$210,000
    - 5.5% sales commissions total for 7 houses: \$98,175
    - Rehabilitation and carrying cost estimates: \$43,750
    - Staff administration costs: \$41,063
    - Debt service: \$35,670
    - Total: \$428,658 (\$61,000 per house)
  - Indirect Costs: \$4,297
  - Costs would be paid from the RDA Line-of-Credit assuming a new Line-of-Credit is initiated in April 2017
  - Mr. LeClear noted that the budget only showed the debt service and did not reference paying back the losses from each house.
- Gave a review of the possible program revisions to reduce costs
  - 1) Homebuyer (will be owner-occupied, no short term rental):
    - 6% down payment/closing cost assistance to buy on a tipping block
    - 12% down payment/closing costs to buy a current Student Home and abandon the use
    - Length of term/forgiveness standards to be determined
  - 2) Current Student Home owner, or investor buying a Student Home:
    - \$30,000 loan to purchase and/or rehabilitate the property in exchange for abandoning the Student Home use
    - Length of term/forgiveness standards to be determined
- Gave an overview of the difference in potential impact based on the different loan strategies
  - Based on Planning Department analysis, 557 parcels would need converted from rental to owner-occupied to bring all “tipping blocks” below 25% rental status.
  - 557 parcels at \$61,000 cost: \$33.9 million
  - 557 parcels at average loan cost of \$20,000: \$11.1 million
  - May be able to achieve similar impact at 1/3 the cost.
  - A HIP loan program could marry easily with other affordable housing programs, and employer-supported housing programs.

**Committees’ comments and questions included:**

- Mr. Kalin inquired what the original projection had been that would be lost per house. Mr. LeClear noted that there had been no projections for that.
- Ms. Hambrick inquired where the losses from the houses would be paid back from. Mr. LeClear noted that money would need to be paid back sometime in the future.
- Mr. Kalin noted that \$428,000 seemed like a large portion of the budget. Mr. LeClear noted that he had reviewed the program and its costs with staff which had led to discussions of loan programs. He noted that the project was meant to

be a neighborhood stabilization program, but as it was currently running, it seemed like too large an expense.

- Mr. Kalin inquired if the four homes that had been purchased were student homes. Mr. LeClear noted that two were student homes and two were in danger of becoming rentals although they could not be student rentals. He noted that 557 parcels would have to be flipped to non-student homes in order to get below the goal of 25%.
- Chairman Madrid noted that the cost of the Line of Credit was 3.2%. He inquired what the original cost was and whether there were any more costs in 2015 for it. Mr. LeClear noted that the original cost was \$46,000. There were some additional costs and he would get a total for the program costs to date.
- Chairman Madrid noted that it did not make sense to make a recommendation regarding the Line of Credit in February if the budget was already decided.
- Mr. Kalin noted that it did not seem like the program was affordable and agreed that the Committee should find another way to accomplish the HIP goals. Mr. LeClear noted that the mission still had value, but the Borough needed to find a better way to accomplish it.
- Chairman Madrid stated that the goals were not clearly articulated and that student housing was not mentioned in the goals. Mr. Kalin stated that he thought that was the original intent, but then the goals were articulated to be more 'gentle'. Chairman Madrid noted that it was difficult to execute a program without clear guidance as to what the program was supposed to do. Ms. Dauler stated that the program was a response to the concerns in the neighborhoods regarding the continuing proliferation of student housing.
- Chairman Madrid stated that the program was not properly resourced or prioritized. He also stated that it was too expensive. He inquired if all the land transfer taxes were being allocated to the program. Mr. LeClear responded that .25% of the Transfer Tax is allocated to the RDA. He stated that 2016 was a good year with approximately \$250,000 rather than the normal \$175,000.
- Chairman Madrid expressed concern that there was no clear-cut way to pay back the loan.
- Ms. Hambrick inquired about Inclusionary Housing. Mr. LeClear noted that Inclusionary Housing funds could be used as a bridge loan to close a gap.
- Mr. Kalin inquired how the other Borough funded loans get repaid. Mr. LeClear stated that some of the loans had a provision that if the owner stayed at the property for 30 years then loan would be forgiven.
- Chairman Madrid stated that the Committee needed to evaluate the validity and utility of the program to the Borough and decide what recommendation should be given moving forward. He stated that the program could be continued as it was, it could be amended to a less costly alternative or it could be completely removed. Mr. LeClear noted that he did not believe that Borough Council would remove the program, but he thought that if it was adjusted to be a loan program then the Borough might be able to prospect to find good properties rather than going after the properties after they go on the market. Mr. Kalin inquired how the Borough would be able to prospect and how they would be able to make somebody sell their property. Mr. LeClear noted that the program was getting some word of mouth and that people were calling the Planning Department to discuss if HIP

could be used to purchase a property. Mr. Kalin inquired what would happen if the seller would want to use the program, but did not qualify. Mr. LeClear responded that the program he was suggesting would have a geographic mission rather than an income qualified issue.

Chairman Madrid called a vote on whether the Committee wanted to keep the program as it was currently constructed and the vote was unanimously against that option.

Chairman Madrid stated that with that information there were only two alternatives which would be to either modify or cancel the program. He noted that the 2016 and 2017 costs were projected to be around \$700,000 and the method of paying back the losses had not yet been addressed. He suggested taking some time to set up clear goals, clear metrics and finding a method of obtaining those goals that was less expensive. Chairman Madrid noted that there were additional costs that would be incurred in 2017 if the program continues. Mr. Kalin noted that some type of loan program would be less expensive. Ms. Dauler noted that she had heard from residents at several community meetings regarding the program. The residents told her that they were reassured that there were programs to maintain the neighborhoods and reduce student housing. She stated that one of the purposes for the program was to encourage new residents to come into the Borough. She noted that it was important for the Borough to be perceived to be working towards that goal. Chairman Madrid noted that residents would not move out of the Borough if HIP were to be cancelled. Ms. Hambrick stated that the program needed to be meaningful and that it seemed to be providing false security with an expensive price tag. She noted that she did not want to abandon the program and that she liked the loan idea, but that the Borough needed to explore an alternative to the current program.

Chairman Madrid inquired how much was acceptable to spend in 2017. Ms. Hambrick stated that she did not mind cancelling HIP as long as staff was working on an alternative. Mr. Kalin noted that if there was a loan for \$30,000 with no interest and a repayment of \$975 per year the Borough could still work with fifty houses and be the same amount of money as was lost in the first year of HIP with buying and selling houses. He stated that a loan program could be a lot less expensive for the Borough. Mr. LeClear noted that if the buyer violated the covenants then the Borough would have to find some way to deal with that, but if the buyer violates the loan then the Borough could simply pull the loan.

Chairman Madrid stated that if the Borough modified the program and continued it there would be a cost associated with it in 2017. He noted that if the Committee decided to cancel it until a new program could be established then there could be financial expenses in 2017. Mr. Kalin noted that the current HIP was too expensive, but if there was a gap in the program then there would not be any more knowledge on how the program was working and the program might have lost ground. Mr. LeClear noted that he would inform Borough Council that REAC recommended not continuing with the program in its current state.

Mr. Kalin inquired how soon the Committee would need to present an alternative and Mr. LeClear responded that it would not be feasible to have an alternative plan ready

prior to the November 21<sup>st</sup> budget discussion. He was unsure when the Line of Credit request would be discussed with Borough Council.

Mr. Kalin made a motion to recommend to Council that the Borough cease buying houses under the HIP and ask staff to formulate an alternative program as soon as possible and Ms. Dauler seconded the motion. Ms. Hambrick inquired how the alternative program would be funded if it was not included in the 2017 budget. Mr. LeClear noted that HIP was proposed in the 2017 budget so that could be used for an alternative program. He noted that staff has constraints of the real estate window or there would not be anything available. Mr. Kalin inquired if staff could get a recommendation ready in time to make the real estate window. Mr. LeClear stated that his staff could attempt to have something, but that he would need to know what the objective was. Ms. Hambrick inquired if the alternative program would be aimed at student homes. Mr. LeClear stated that the goals would need to be discussed and made more specific. Chairman Madrid called the motion to a vote to cease buying houses and to task staff to present alternatives to make the program more efficient. The vote was unanimously in favor.

Chairman Madrid stated that the Committee needed to present the determination regarding HIP to Borough Council prior to the final budget decision. He stated that he wanted to articulate the Committee's thought processes in the matter of HIP and he stated that some Council members might want some clarification on the goals. Ms. Dauler suggested capturing market rate housing and removing the student housing designation. She stated that was what she was hearing from the constituents.

### **Adjournment**

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

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Respectfully submitted by:  
Sarah E. Smith, Staff Assistant

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## Borough of State College MEMORANDUM

to: ABC Secretaries and Staff Assistants

from: Ed LeClear

re: Conflict of Interest Policy and Code of Conduct with Regards to HUD Programs

date: November 17, 2016

A Conflict of Interest Policy and Code of Conduct with regards to HUD Programs was adopted by the State College Borough Council in 2005. Elected and appointed officials are to receive a copy of the policy at a regular meeting of their respective council, authority, board or commission annually. Members who are absent should receive a copy by mail.

A copy of the policy is attached. Please include it as an agenda item or as an attachment to the agenda at the first meeting of the ABC in 2017. Also, please be sure to note distribution of the policy in the meeting minutes.

**from the desk of... Ed LeClear**  
Planning Director Borough of  
State College ■243 South Allen  
Street State College, PA 16501  
[eleclear@statecollegepa.us](mailto:eleclear@statecollegepa.us) (814)  
234-7109 Fax: (.814) 234-7197

## BOROUGH OF STATE COLLEGE

### Conflict of Interest Policy and Code of Conduct With Regards to HUD Programs

#### SECTION 1

##### CONFLICTS OF INTEREST

##### COVERED INDIVIDUALS:

Any employee, agent, officer, elected official, appointed official or consultant of the Borough of State College (Participating Jurisdiction) or; any member of an employee's, agent's, officer's, elected official's or appointed official's immediate family; an employee's, agent's, officer's, elected official's or appointed official's partner; or an organization that employs or is about to employ any of the above.

##### CONFLICTS PROHIBITED:

No person(s) described in Paragraph 1 of section 1 who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME Investment Partnerships Program (HOME) or Community Development Block Grant (CDBG) or other U.S. Department of Housing and Urban Development (HUD) funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a HOME,- CDBG, or other HUD-assisted activity, or has a financial interest in any contract, subcontract, or agreement with respect HOME,- CDBG, or other HUD-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild and in-laws of a covered person. Occupancy of a HOME-assisted unit by a covered person constitutes a financial interest.

##### EXCEPTIONS:

Threshold Requirements - Upon the written request of the participating jurisdiction, the U.S. Housing and Urban Development (HUD) or its successor, may grant an exception to the provisions of the CONFLICTS PROHIBITED of section 1 on a case-by-case basis when it determines that the exception will serve to further the purpose of the HOME, CDBG or other HUD program and the effective and efficient administration of the Borough's program or project. An exception may be considered only after the participating jurisdiction has provided the following:

- a. A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure\* of the conflict and a description of how the public disclosure was made; and
- b. An opinion from the Borough's attorney that the interest for which the exception is sought would not violate state or local laws.

\*The requirements for public disclosure include publication in a local newspaper or disclosure during an advertised public hearing.

Factors to be considered for Exceptions - In determining whether to grant a requested exception after the participating jurisdiction has satisfactorily met the requirements of paragraphs a. and b. above, HUD, or its successors, will consider the cumulative effect of the following factors, where applicable:

- a. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be

- available;
- b. Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiary of the assisted activity, and the exception will permit such person(s) to receive generally the same interests or benefits as are being made available or provided to the group or class;
- c. Whether the affected person(s) has withdrawn from his/her functions or responsibilities or the decision-making process with respect to the specific assisted activity in question;
- d. Whether the interest or benefit was present before the affected person was in a position as described in the COVERED PERSONS Paragraph of this section
- e. Whether undue hardship will result either to the participating jurisdiction or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and
- f. Any other relevant considerations.

#### OWNERS AND DEVELOPERS:

No owner, developer or sponsor of a project assisted with HOME, CDBG or other HUD funds (or officer, employee, agent, elected or appointed official or consultant of the owner, developer or sponsor or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer or sponsor) whether private, for-profit or non-profit (including a community development organization (CHDO) when acting as an owner, developer or sponsor) may occupy a HOME, CDBG or other HUD-assisted affordable housing unit in a project during the required period of affordability specified in §92.252(e) or §92.254(a)(4). This provision does not apply to an individual who receives HOME, CDBG or other HUD funds to acquire or rehabilitate his or her principal residence or to an employee or agent to the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

#### EXCEPTIONS:

Upon written request of a housing owner or developer, the Borough may grant an exception to the provisions of the above paragraph of this section on a case by case basis when it determines that the exception will serve to further the purposes of the HOME, CDBG or other HUD program and the effective and efficient administration of the owner's or developer's HOME, CDBG or another HUD-assisted project. In determining whether to grant a requested exception, the Borough shall consider the following factors:

- a. Whether the person receiving the benefit is a member of a group or class of low- income persons intended to be the beneficiaries of the assisted housing, and the exception will permit such person to receive generally the same interest or benefits as are being made available or provided to the group or class:
- b. Whether the person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted housing in question:
- c. Whether the tenant protection requirements of Sec. 92.253 are being observed;
- d. Whether the affirmative marketing requirements of Sec. 92.351 are being observed and followed; and
- e. Any other factor relevant to the Borough's determination, including the timing of the requested exception.

#### SECTION 2

#### COVERED INDIVIDUALS:

Any employee, officer, or agent of the Borough of State College (Participating Jurisdiction).

#### PROCUREMENT

The CDBG, HOME and other HUD Programs follow the procurement policy of the Borough of State College located in the Borough of State College Code of Ordinances, Chapter 1, Part N. If any provisions of CFR 24 85.36, 24 CFR 570.611, 24 CFR 92.356 are not included or conflict with the Borough's Procurement Policy, the provisions of CFR 24 85.36, 24 CFR 570.611, and 24 CFR 92.356 shall supersede the Borough's Procurement Policy.

No Covered Individuals in section 2 may participate in the selection, award or administration of a contract supported by HOME, CDBG or other HUD Program if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following parties has a financial or other interest in the firm selected for award:

- employee, agents, or officer of the Borough of State College;
- any member of an employee's, agent's or officer's immediate family;
- an employee's, agent's or officer's partner; or
- an organization that employs or is about to employ any of the above

No employee, officer, or agent of the Borough or sub recipient may solicit or accept gratuities, favors or anything of monetary value from contractors, potential contractors or parties to sub agreements.

#### CODE OF CONDUCT:

Persons covered in section 2, paragraph 1, are expressly forbidden from soliciting or accepting money, gifts, gratuities, services, favors, or anything of monetary value (excepting unsolicited calendars, pens, or other items of nominal value used as an advertising medium) from any person, company, firm, or corporation to which any purchase order or contract is or might be awarded or from a party to any potential subcontract.

The Borough shall also take disciplinary action in accordance with the Borough Personnel Rules and Regulations against any covered persons in section 2 paragraph 1 who violate this conflict of interest policy.

Employees will receive a copy of the conflict of interest policy on an annual basis as a mailer included in a paycheck. Elected and appointed officials will receive a copy of the policy at a regular meeting of their respective council, authority, board or commission. Distribution of the policy will be noted in the minutes of the meeting. Members who are absent will receive a copy by mail. Consultants and agents will be provided a copy of the policy as part of their contracts.

#### SUB-RECIPIENTS:

Applicable Conflict of Interest and Procurement Policies for the Borough's sub recipients are covered under CFR 24 84.42, 24 CFR 570.611 and CFR 24 92.356. Each sub recipient has developed its own Conflict of Interest Policy and Procurement Policy in accordance with the applicable regulations.

Authorized Official: Ed LeClear, Director of Planning and Community Development 243 S. Allen Street State College, PA 16801 814-234-7109

Adopted by the State College Borough Council on April 18, 2005. Revised by staff on April 30, 2015.