



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0500

OFFICE OF THE GENERAL COUNSEL

APR 4 1966

Note to: Marcia Dodge

From : Grant E. Mitchell

The attached letter to me from Lloyd Hayes, developer of the Park Central New Town project, raises a policy question for CPD's determination.

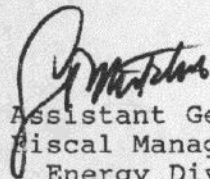
In 1979, the New Community Development Board approved Park Central as meeting the requirements of the New Communities Act, and entered into an extensive Project Agreement and Trust Agreement (I have copies if you'd like to review them). Park Central never received a guarantee of its securities under the New Community Act, but rather used Title X of the National Housing Act (a somewhat similar guarantee authority administered by FHA) for land development. The NCDC finding of eligibility did, however, qualify the Park Central project for special Title I discretionary funds as well as housing set-asides. Congressman Brooks was a strong advocate of this project, even having the NCDC Act amended so that the project could qualify for this special determination. Several million dollars of Title I discretionary grants have gone into the project, as well as a UDAG.

CPD Assistant Secretary Bob Embry, who sat on the NCDC Board, was concerned that HUD get its money's worth in terms of low and moderate housing from this project after the grants were in the ground. At Embry's request, an arrangement was created by my attorneys wherein all of the Park Central land was held in trust and released only when it could be found that the low and moderate income housing was being developed as contemplated. The original acreage in trust was 729. Approximately 196 acres remain. Hayes would like to get this remainder released so that some could be donated to the YMCA and the rest could be used for a new development loan. As approximately \$800,000 of the proceeds of the loan would be used to reduce one of the Title X guaranteed loans for this project, FHA staff favor the action. As Hayes' letter to me notes, the FHA Area Office is reluctant to approve any more Title X commitments on this property (Port Arthur is the plumbing of the desiccated oil patch).

While I haven't followed this project personally (I saw it once in a driving rainstorm in about 1980) I'm sure Hayes built every bit of assisted low and moderate housing he could get. HUD probably has little leverage for additional performance under Title VII, but a certain financial interest (FHA's) in keeping the project going. As a condition for approval, I recommend requiring Hayes to execute a Termination Agreement expressly foregoing any right or interest in additional HUD assistance. For the last several years, amendments have popped up in proposed HUD appropriations acts which would have provided additional assistance or special set-asides for this project.

However, the issue is purely a policy one it seems, so some CPD staff member should be assigned to look into this, including checking with the Houston Area Office as to their perception of this development. The incoming Hayes letter indicates that the private lender would like to close by March 31; I understand that the lender's offer has been extended to April 14 (his deadlines, not HUD's). There will be definite interest in obtaining an early response.

If you obtain the appropriate CPD concurrence, I would send Hayes a draft Termination Agreement to be required as a condition of HUD's approval and ask him to send the draft documents to approve the release of the land and termination of the Trust Agreement. Further actions will include instructions to James Wilson of the Houston Area Office and instructions for winding up the escrow agreement. It would expedite the process if the concurrence includes a delegation of authority to me to take all necessary actions to complete this action, if that is the decision. I have set up the first concurrence line in that way.


Assistant General Counsel
Fiscal Management and
Energy Division

Attachment

Concur; OGC authorized to proceed as described above

Disapproved

Other