



MEMORANDUM NEIGHBORHOOD RESOURCES- COUNCIL MEMO NR12-025

DATE: JULY 12, 2012

TO: MAYOR AND MEMBERS OF THE CITY COUNCIL

THRU: RICH DLUGAS, CITY MANAGER *RD*
JEFF CLARK, FIRE CHIEF *JC*

FROM: JENNIFER MORRISON, NEIGHBORHOOD RESOURCES DIRECTOR *JM*

SUBJECT: APPROVAL OF RESOLUTION NO. 4601 AUTHORIZING THE AGREEMENT BETWEEN NEWTOWN COMMUNITY DEVELOPMENT CORPORATION AND THE CITY OF CHANDLER FOR THE ACQUISITION, REHABILITATION AND RESALE OF PROPERTIES FOR LOW TO MODERATE INCOME FIRST TIME HOMEBUYERS USING HOME INVESTMENT PARTNERSHIP (HOME) FUNDS IN THE AMOUNT OF \$340,000 AND AUTHORIZING THE CITY MANAGER TO SIGN THE AGREEMENT AND ALL RELATED DOCUMENTS ON BEHALF OF THE CITY

RECOMMENDATION: Approval of Resolution No. 4601 authorizing the agreement between Newtown Community Development Corporation and the City of Chandler for the acquisition, rehabilitation and resale of properties for low to moderate income first time homebuyers using HOME Investment Partnership (HOME) funds in the amount of \$340,000 and authorizing the City Manager to sign the Agreement and all related documents on behalf of the City.

BACKGROUND: The City of Chandler, along with seven other local municipalities and Maricopa County, formed the Maricopa HOME Consortium for purposes of administering the federal HOME Investment Partnership Program. Of the total funds allocated to each jurisdiction under the HOME Program, 15% must be reserved for specific types of nonprofit organizations known as Community Housing Development Organizations (CHDO's). In January 2012, Newtown Community Development Corporation obtained a resolution of support from the Chandler City Council for an application to the Maricopa County Consortium for CHDO HOME funds. The application was approved and Newtown was awarded funds to acquire and rehabilitate up to four single family residences for resale to low to moderate income first time homebuyers. In order for the funding to be implemented, the City of Chandler must enter into an agreement with Newtown and the County Consortium for the administration of a contract for the purchase, rehabilitation and resale of the housing units.

DISCUSSION: Newtown Community Development Corporation is a non-profit that provides first time homebuyer programs to individuals and families in Tempe, Glendale, Scottsdale and Chandler. Newtown first began providing its Community Land Trust (CLT) program in Chandler in 2009 when they received an allocation of Neighborhood Stabilization Program (NSP) funds. Since that time, the City has awarded an additional allocation of NSP funds, as well as City of Chandler HOME funds, to Newtown.

Through NSP and HOME funding, the City has created a successful community land trust program with Newtown. Newtown’s CLT program provides access to homeownership for people who are otherwise priced out of the housing market. At the time of sale, the CLT buyer purchases the improvements only (the house) and enters into a 99-year renewable ground lease for the land. Newtown holds the land in perpetuity. The ground lease contains resale restrictions that require if the home is sold; it must be sold to another income eligible buyer. Permanent affordability is maintained through a shared equity provision that limits the amount of appreciation the seller may take and establishes an affordable sales price. The ground lease also requires owner-occupancy and gives Newtown the right of first refusal.

Newtown’s CLT program is designed to balance the interests of individuals and the larger community. CLT homeowners have an opportunity to build wealth through homeownership. At the same time, the community’s investment (subsidy) is protected; it is retained in the property and a long-term community asset is developed. Through the CLT program, a stock of permanently affordable homes is created and the homes stay affordable for future generations. In addition to meeting income eligibility requirements, all CLT homebuyers must successfully complete Newtown’s Homebuyer Assistance and Individual Development Account Programs and attend a CLT Orientation. To date, there are a total of 27 CLT homes in Chandler, 18 assisted with NSP funds and 9 with HOME funds. In addition, Newtown is the only land trust in Arizona. Currently, the average price of acquisition for CLT homes in Chandler is \$129,716; the average rehabilitation cost per unit is \$63,349 and the average subsidy is \$80,000 per unit.

While Newtown’s NSP funded program is operating only in clearly defined census tracts, HOME funds are not restricted for expenditure to any specific area of the City. Participation in the program is only limited by income level. Clients requesting assistance must have an annual household income at or below 80% of the Area Median Income (AMI).

The following represents the current income limits for person and families to be assisted by this program:

Family Size	1 Person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
Low Income (up to 80% AMI)	\$37,200	\$42,500	\$47,800	\$53,100	\$57,350	\$61,600	\$65,850	\$70,100

Homes to be acquired and rehabilitated may be a foreclosed or regular sale home. Under the current contract, Newtown will acquire and rehabilitate four additional single family homes in

the City of Chandler. Newtown's application to the Maricopa County Consortium was for \$340,000 or 41% of the total projected development costs for the project. As all applications for HOME funding require matching funds for the project, Newtown's application indicates that other resources that will support the project include conventional loan sources, Federal Home Loan Bank funds and Individual Development Account funds. All properties acquired and rehabilitated with HOME funds will be placed in the Newtown Community Land Trust Program.

The HOME Program requires a minimum affordability period for all projects receiving HOME funds, depending on the average amount of HOME funds invested in each unit and the type of activities performed. The affordability period for the units to be assisted in this case is fifteen years. The HOME required affordability period is secured by a Deed of Trust and Promissory Note recorded against the property. These instruments insure that if the unit is resold during the fifteen year affordability period, the subsequent homebuyer will meet the income limits under which the funding was awarded during the required fifteen year period.

HOUSING AND HUMAN SERVICES COMMISSION: The Housing and Human Services Commission approved recommending to City Council Resolution No. 4601 at their meeting on July 11, 2012. The Commission unanimously recommended Mayor and Council approval of an agreement between Newtown and the City for the acquisition, rehabilitation and resale of properties for low to moderate income first time homebuyers using HOME funds.

FINANCIAL IMPLICATIONS: All costs associated with the HOME program will be paid by the U.S. Department of Housing and Urban Development and do not require repayment on the part of the City of Chandler.

PROPOSED MOTION: Approval of Resolution Number 4601 authorizing the agreement between Newtown Community Development Corporation and the City of Chandler for the acquisition, rehabilitation and resale of properties for low to moderate income first time homebuyers using HOME Investment Partnership (HOME) funds in the amount of \$340,000 and authorizing the City Manager to sign the Agreement and all related documents on behalf of the City.

RESOLUTION NO. 4601

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING THE AGREEMENT BETWEEN NEWTOWN COMMUNITY DEVELOPMENT CORPORATION AND THE CITY FOR THE ACQUISITION, REHABILITATION AND RESALE OF PROPERTIES FOR LOW TO MODERATE INCOME FIRST TIME HOMEBUYERS USING HOME INVESTMENT PARTNERSHIP (HOME) FUNDS IN THE AMOUNT OF \$340,000

WHEREAS, Newtown Community Development Corporation is a non-profit Community Housing Development Organization (CHDO) which has a history of community service in Chandler, Arizona and has among its purposes the provision of affordable housing for low and moderate income households; and

WHEREAS, Newtown Community Development Corporation has applied to the Maricopa County HOME Consortium for federal HOME Investment Partnerships Program (HOME) funding set aside for Community Housing Development Organizations (CHDOs); and

WHEREAS, the U.S. Department of Housing and Urban Development, through the Maricopa County HOME Consortium has approved Newtown Community Development Corporation's application to utilize \$340,000 in HOME CHDO funds to acquire and rehabilitate properties to be made available to first time low to moderate income homebuyers; and;

WHEREAS, the properties to be developed under the first time homebuyer program are located within our jurisdictional boundaries, the City of Chandler will be the administrator of the contract between Newtown Community Development Corporation and the Maricopa County HOME Consortium; and

WHEREAS, the activity that Newtown Community Development Corporation proposes meets the priorities identified in the City of Chandler Consolidated Plan as approved by the City Council of the City of Chandler, Arizona,

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Chandler, Arizona, that the City Council authorizes the City Manager to enter into a contract with the Newtown Community Development Corporation for the acquisition, rehabilitation and resale of properties to be made available to first time homebuyers in the City of Chandler and the City recognizes that the intended use of such funds are in conformance with the City's Consolidated Plan and commits to administering the contract and approving the assignment to the City of Beneficial Interests under the loan agreement, deed of trust, promissory note and restrictive covenants, between Maricopa County and Newtown Community Development Corporation..

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, THIS _____ DAY OF _____, 2012.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above foregoing Resolution No. 4601 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of ____, 2012, and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY GAB