

Replacement
APR 25 2013

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MEMORANDUM NEIGHBORHOOD RESOURCES- CITY COUNCIL MEMO NR13-019

DATE: APRIL 22, 2013

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: CONTINUATION OF COUNCIL ITEM NUMBER 18

Please be advised that staff is requesting continuance of item number 18 on the City Council agenda to the May 9, 2013 City Council meeting.



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APR 25 2013

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MEMORANDUM- NEIGHBORHOOD RESOURCES COUNCIL MEMO NO. NR13-015

DATE: APRIL 17, 2013

TO: MAYOR AND CITY COUNCIL

THRU: RICH DLUGAS, CITY MANAGER ^{AD}
JEFF CLARK, FIRE CHIEF

FROM: JENNIFER MORRISON, NEIGHBORHOOD RESOURCES DIRECTOR ^{JM}
ERIC ANDERSON, ASSISTANT CITY ATTORNEY ^{EA}

SUBJECT: APPROVAL OF RESOLUTION 4683 OF THE CITY COUNCIL OF THE CITY OF CHANDLER, MARICOPA COUNTY, ARIZONA APPROVING SALE BY COMMUNITY SERVICES OF ARIZONA, INC. OF ITS INTEREST IN 831 W. RAY ROAD, 855 W. RAY ROAD, 394 N. MCQUEEN ROAD, AND 298-392 N. MCQUEEN ROAD IN CHANDLER, ARIZONA TO QUANTUM, LLC OR DESIGNEE AND AUTHORIZING CITY TO RESTRUCTURE AND/OR RELEASE DEEDS OF TRUST, PROMISSORY NOTES, AND LAND USE RESTRICTIONS FOR AFFORDABILITY RELATED THERETO

BACKGROUND: The City of Chandler receives U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnership (HOME) funds annually through the Maricopa HOME Consortium. Community Services of Arizona, Inc. (CSA) a local non-profit, has in the past received HOME funds for the acquisition and rehabilitation of multi-family properties in Chandler to provide affordable rental housing for low to moderate income persons. Currently, CSA owns a total of 23 units in Chandler for which the City holds Deeds of Trust on the properties. Each Deed of Trust secures a promissory note which requires CSA to maintain the subject housing units according to the rules and regulations of the HOME program including leasing the units as affordable and decent housing for a certified period of affordability. The period of affordability differs based on the amount of HUD funding committed for the project. In the case of CSA's units, the required period of affordability was 10 years for all 23 housing units.

DISCUSSION: CSA received HOME funding to purchase and rehabilitate 23 units of multi-family housing through four separate allocations beginning in 1998. The housing units and their respective periods of affordability which commenced when the units were ready to lease are as follows:

Address	Affordability Period	Unit Type
831 W. Ray Road	2/22/06 – 2/22/16	Duplex
855 W. Ray Road	1/19/06 – 1/19/16	Triplex
298-392 N. McQueen Road	8/25/00 – 8/25/10	16 units
394 N. McQueen Road	8/04/05 – 8/04/15	Duplex

Over the past several years, CSA has encountered significant financial difficulty and as a result, was not able to meet the HOME requirements in several of the 23 units indicated above. A number of Valley cities, including Chandler, are working with CSA to secure new owners for CSA properties in order to insure that HUD's requirements for affordability and the operation of the housing units are met. This includes the units at 855 W. Ray Road and the units at 394 N. McQueen Road. It should be noted that the units at 831 W. Ray Road were operated as affordable under the HOME rules until the summer of 2012. In addition, the units from 298-392 N. McQueen Road were operated in compliance to the conclusion of the affordability period under HUD's guidelines, but the Deed of Trust for those units has not been released by the City as of this time due to some contractual questions.

CSA has requested that the City authorize the sale of their Chandler units to Quantum Realty Partners, LLC. Quantum has agreed to rehabilitate and rent the units at 831 W. Ray Road, 855 W. Ray Road and 394 N. McQueen Road according to the HOME program requirements. In addition, Quantum has agreed to add ten years of affordability to the units at 855 W. Ray Road and 394 N. McQueen Road. Quantum has agreed to add one year of affordability to the units at 831 W. Ray Road.

Quantum is a for-profit entity that will own and operate the properties as affordable rental units for the new periods of affordability. Quantum will be subject to City compliance monitoring at the end of the rehabilitation phase and on an ongoing basis.

Staff is requesting Council approval of Resolution No. 4683 which will approve the transfer of ownership to Quantum to include the release of the current Deeds of Trust with CSA and the application of new Deeds of Trust, Promissory Notes and Land Use Restrictions for the properties to be acquired by Quantum. This transaction will preserve the affordability of the seven housing units and allow the City to stay in conformance with HUD requirements. In regards to the units at 298-392 N. McQueen Road, once the City's Deed of Trust for these units is released, Quantum will be able to own the units and operate them as rental housing not subject to HUD requirements.

FINANCIAL IMPLICATIONS: No City of Chandler General funds or federal funds will be necessary to complete this transaction.

PROPOSED MOTION: Move to approve Resolution No. 4683 approving the sale by Community Services of Arizona, Inc. of its interest in 831 W. Ray Road, 855 W. Ray Road, 394 N. McQueen Road and 298-392 N. McQueen Road in Chandler, Arizona to Quantum, LLC or designee and authorizing City to restructure and/or release Deeds of Trust, Promissory Notes, and Land Use Affordability Related thereto.

RESOLUTION NO. 4683

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, MARICOPA COUNTY, ARIZONA APPROVING SALE BY COMMUNITY SERVICES OF ARIZONA, INC. OF ITS INTEREST IN 831 W. RAY RD., 855 W. RAY ROAD, 394 N. MCQUEEN ROAD, AND 298-392 N. MCQUEEN ROAD IN CHANDLER, ARIZONA TO QUANTUM, LLC OR DESIGNEE AND AUTHORIZING CITY TO RESTRUCTURE AND/OR RELEASE DEEDS OF TRUST, PROMISSORY NOTES, AND LAND USE RESTRICTIONS FOR AFFORDABILITY RELATED THERETO.

WHEREAS, Community Services of Arizona, Inc. ("CSA") holds fee title to the following parcels of real property in accordance with the records of the Maricopa County Recorder:

A. Lot 91, HOLIDAY ADDITION, according to Book 139 of Maps, Page 13; Assessor's Parcel Number 302-49-212 ("831 W. Ray Road");

B. Lot 97, HOLIDAY ADDITION, according to Book 139 of Maps, Page 13; Assessor's Parcel Number 302-49-218 ("855 W. Ray Road");

C. Lot #1, Plat of CHANDLER TERRACE, according to Book 156 of Maps, Page 44, and as Amended in Book 158 of Maps, Page 24, Assessor's Parcel Number 302-71-025 ("394 N. McQueen"); and

D. Lots # 2 through 9, Chandler Terrace, according to Book 156 of Maps, Page 44, re-recorded in Book 158, page 24, Assessor's Parcel Numbers 302-71-026 through 033 ("298-392 N. McQueen"); and

WHEREAS, CSA's acquisition of the aforementioned properties ("the Properties") was funded in part by federal grant money through the HOME Investments Partnership Program with the City of Chandler acting on behalf of the Maricopa County HOME Consortium as the participating jurisdiction; and

WHEREAS, as a result of this participation, the City of Chandler holds certain encumbrances upon the Properties including deeds of trust and land use restriction agreements; and

WHEREAS, due to financial hardships, CSA has been unable to maintain some of the Properties in compliance with Affordability requirements as set forth in HUD regulations found at 24 C.F.R. Part 92; and

WHEREAS, CSA proposes to transfer its interest in the Properties to Quantum and Quantum is willing to replace CSA's obligation to maintain and satisfy the Affordability requirements left unfulfilled by CSA; and

WHEREAS, it is in the best interest of the City of Chandler to consent to CSA's transfer of the Properties and to restructure the City's encumbrances on the Properties

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chandler, Maricopa County, Arizona as follows:

Section 1. That the City of Chandler hereby consents to the transfer of CSA's interest in the Properties to Quantum, LLC or its designee.

Section 2. That the Mayor is hereby authorized and empowered to execute the Restructuring Agreement with Quantum, LLC attached hereto as Exhibit A on behalf of the City of Chandler.

Section 3. The City Manager, with the consent of the City Attorney, is thereafter authorized and empowered to execute any and all documents necessary to carry out the intent and purposes of the Restructuring Agreement including but not limited to the documents attached as Exhibits to the Restructuring Agreement and required to be executed by the Parties thereto.

PASSED AND ADOPTED by the City Council of the City of Chandler, Maricopa County, Arizona, this ____ day of April, 2013.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4683 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of April, 2013, and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

EA

#18
April 25, 2013

The Restructuring Agreement with Quantum, LLC, is forthcoming and will be available the week of April 22, 2013.