



MEMORANDUM NEIGHBORHOOD RESOURCES – HHSC MEMO NO. NR13-026

DATE: JULY 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: APPROVAL OF RESOLUTION NO. 4699 OF THE CITY COUNCIL OF THE CITY OF CHANDLER, MARICOPA COUNTY, ARIZONA APPROVING AND AUTHORIZING THE REPAYMENT OF FUNDS TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) FOR FUNDS AWARDED TO COMMUNITY SERVICES OF ARIZONA WHO FAILED TO MEET THE REQUIREMENTS OF THE HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

BACKGROUND: The City of Chandler receives U.S. Department of Housing and Urban Development HOME funds annually through the Maricopa HOME Consortium. Community Services of Arizona, Inc. (CSA) a local non-profit, has in the past been awarded City HOME funds for the acquisition and rehabilitation of multi-family properties in Chandler to provide affordable rental housing for low to moderate income persons. Until recently, CSA owned 23 housing units in Chandler for which the City held Deeds of Trust and promissory notes on the properties. Each Deed of Trust and promissory note required CSA to maintain and provide affordable lease rates for the housing units according to the rules and regulations of the HOME program, including leasing the units as affordable for a specific period of time. CSA's 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. Sixteen of those housing units met HUD's affordability requirements, while seven did not. Over the past several years, CSA has encountered significant financial difficulty and as a result, was not able to meet the HOME requirements for seven housing units. As a result of CSA's failure to maintain its units as affordable housing, the City initiated a Trustee Sale against the seven CSA properties in

November of 2012. The Trustee Sale occurred in early May and the City received proceeds from three companies who acquired the seven units of housing in the amount of \$167,897.40.

While CSA no longer owns the seven properties, HUD's requirement for the operation of seven units of housing for the ten year term of affordability has not been met. Therefore, the City must develop a plan to reimburse HUD for the HOME dollars awarded to CSA for these units, or develop units of housing to be operated under the HOME rules as a replacement for the units that CSA failed to maintain, or a combination thereof.

Staff is recommending Council approval of Resolution No. 4699 which will authorize and approve the repayment to HUD of \$98,800, from the proceeds of the Trustee Sale. This is the amount of HOME funds awarded to CSA for the purchase and rehabilitation of the duplex housing unit located at 831 W. Ray Rd. The Housing and Human Services Commission discussed this item at their June 12, 2013 meeting and recommended approval of the repayment to the Mayor and City Council. Once these funds are repaid to HUD, five housing units will still remain to be developed and leased under the HOME program rules to replace the units that CSA failed to maintain as affordable for the required period.

FINANCIAL IMPLICATIONS: The funds to be repaid to HUD are derived from the proceeds of the Trustee Sale held on May 2, 2013. No City of Chandler General funds or federal funds will be utilized in this repayment.

PROPOSED MOTION: Move to approve Resolution No. 4699 approving and authorizing the repayment of funds to the U.S. Department of Housing and Urban Development for funds awarded to Community Services of Arizona who failed to meet the requirements of the Home Investment Partnership Program in the amount of \$98,800.

RESOLUTION NO. 4699

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, MARICOPA COUNTY, ARIZONA APPROVING AND AUTHORIZING THE REPAYMENT OF FUNDS TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) FOR FUNDS AWARDED TO COMMUNITY SERVICES OF ARIZONA WHO FAILED TO MEET THE REQUIREMENTS OF THE HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

WHEREAS, the City of Chandler awarded Community Services of Arizona, Inc. (CSA), a local non-profit agency federal HOME Program funds for the development of affordable multi-family rental housing beginning in 1998; and

WHEREAS, in accordance with HOME regulations under Title 24 Code of Federal Regulations (24 CFR) 92.503(b)-Repayments: Section (2) states that any HOME funds invested in housing that does not meet the affordability requirements for the period specified in the HOME regulation must be repaid by the participating jurisdiction; and

WHEREAS, CSA failed to provide the affordable housing for which funds were awarded including two units at 831 W. Ray Rd, three units at 855 W. Ray Rd. and two units at 394 N. McQueen Rd; and

WHEREAS, as a result of the failure of CSA to provide affordable housing, the City conducted a Notice of Trustee Sale on May 2, 2013 and received \$167,897.40 in sale proceeds from the sale of the seven CSA-owned properties that failed to meet HUD's requirements; and

WHEREAS, sale proceeds in the amount of \$98,800 can be repaid to HUD to meet the obligation to provide affordable housing for the two units located at 831 W. Ray Rd.;

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Chandler, Arizona hereby approves and authorizes the repayment of funds to the U.S. Department of Housing and Urban Development for HOME funds awarded to Community Services of Arizona who failed to meet the requirements of the HOME Program.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CHANDLER,
ARIZONA THIS _____ DAY OF _____, 2013.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above foregoing Resolution No. 4699 was duly passed and adopted by the City Council of the City of Chandler, Arizona at a regular meeting held on the _____ day of _____, 2013, and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

EAB