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MEMORANDUM NEIGHBORHOOD RESOURCES-COUNCIL MEMO NO. HD13-08

DATE: JULY 30, 2013

TO: MAYOR AND CITY COUNCIL

THRU: RICH DLUGAS, CITY MANAGER RD
JEFF CLARK, FIRE CHIEF
JENNIFER MORRISON, NEIGHBORHOOD RESOURCES DIRECTOR

FROM: KURT KNUTSON, HOUSING AND REDEVELOPMENT MANAGER KK

SUBJECT: ORDINANCE NO. 4467 AUTHORIZING THE ACQUISITION OF CERTAIN REAL PROPERTIES WITHIN THE CITY OF CHANDLER TO BE LEASED TO QUALIFIED FAMILIES AT AN AFFORDABLE RENT AND AUTHORIZING THE HOUSING AND REDEVELOPMENT MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO COMPLETE EACH ACQUISITION AND TO IMPLEMENT THE SUBSEQUENT LEASING PROGRAM

RECOMMENDATION: Staff and the Housing and Human Services Commission support the introduction and adoption of Ordinance No. 4467 authorizing the acquisition of properties to be leased to qualified families; and authorizing the Housing and Redevelopment Manager to sign all documents necessary to complete the acquisitions and to implement the subsequent leasing program. The Housing and Human Services Commission discussed this item at their June 12, 2013 meeting and recommended approval of the acquisition of the five housing units to the Mayor and City Council.

BACKGROUND: The Housing and Redevelopment Division (aka the Public Housing Authority) desires to expand its portfolio of affordable housing programs. Housing staff is proposing the acquisition of five (5) properties that will increase the number of affordable rental housing units in our current inventory.

Recently Community Services of Arizona (CSA) defaulted on an obligation to the City and the United States Department of Housing and Urban Development to provide a specific term of affordability for seven federally funded units they owned in Chandler. Neighborhood Resources and Housing staff are looking at an opportunity to fulfill CSA's commitment through increasing the number of non-federally funded affordable housing units owned and operated by the Public Housing Authority. Housing and

Redevelopment Staff, with the assistance of the City Attorney's Office is requesting authorization to acquire, five (5) housing units based on the following key criteria.

Key criteria to the CSA Replacement Affordable Housing Acquisition Program:

- Up to 5 housing units may be acquired, made lease ready and leased to families at affordable rents. Lessor must comply with HOA/PHA regulations/rules/governance, (whichever are more restrictive.)

- Housing units will contain a minimum of 2 bedrooms and at least one unit will contain three bedrooms.

- Housing units will only be acquired from willing sellers. Housing units must be either vacant or owner occupied units at the time of sale. Units with tenants or boarders will not be considered for acquisition.

- Housing units will only be leased to income-qualified families and income qualification will occur annually. Income qualified is defined as income between 50% – 80% of area median income. (Currently a three-person household would qualify if their income were between $28,400 and $45,450.)

- Rent will be an affordable rent that will be less than market rent. Rent will be affordable for tenants with an income near, but less than the 80% of median income range.

- Qualifying families must be able to supply information to prove eligibility for the program and show an acceptable background and rental history. Selected applicants must demonstrate they can maintain the housing units.

- The Housing and Redevelopment Manager will be authorized to acquire, make required modifications to, develop guidelines and lease these properties based on additional criteria attached in Exhibit A (Program Acquisition Guidelines for CSA Replacement Affordable Housing Properties) in conjunction with and approval by the City Attorney's Office.

- Sales proceeds from previous Public Housing 5(h) program sales and development proceeds will be used to finance and support the acquisition program.

DISCUSSION: If approved, the Housing and Redevelopment Manager will be able to individually purchase, make modification to, develop guidelines, make lease ready and lease properties as described above and in accordance with the program as outlined in Ordinance Number 4467. Each acquisition shall be undertaken through a fully executed written purchase agreement in a form acceptable to the City Attorney's Office, which

sets forth the terms and conditions of the acquisition and provides for opening and closing of escrow.

Depending on market conditions, staff expects to identify prospective properties in late summer and fall of 2013. Staff hopes to close escrow on all the properties by fall of 2013.

FINANCIAL IMPLICATIONS: The costs to implement this project are derived from Public Housing 5(h) program proceeds and other available resources. The funding invested in this proposed project will fulfill the obligations that Community Services of Arizona defaulted on with regard to the affordability period that they committed to when they utilized the federally funded HOME program dollars. This investment also furthers the Housing and Redevelopment Division's core mission to develop affordable housing.

This action will also authorize the reallocation of up to $850,000 in funding within the Housing and Redevelopment Division's budgets for FY2013/14 to acquire the properties and facilitate the related costs associated with implementing and operating the program.

PROPOSED MOTION: Move to introduce Ordinance No. 4467 authorizing the acquisition of certain real properties within the City of Chandler to be leased to qualified families at an affordable rent and authorizing the Housing and Redevelopment Manager to execute all documents necessary to complete each acquisition and to implement the subsequent leasing program.

ORDINANCE NO. 4467

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING THE ACQUISITION OF CERTAIN REAL PROPERTIES WITHIN THE CITY OF CHANDLER TO BE LEASED TO QUALIFIED FAMILIES AT AN AFFORDABLE RENT AND AUTHORIZING THE HOUSING AND REDEVELOPMENT MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO COMPLETE EACH ACQUISITION AND TO IMPLEMENT THE SUBSEQUENT LEASING PROGRAM.

WHEREAS, the City of Chandler Public Housing Authority (PHA) desires to acquire properties from proceeds that were derived from the disposition of United States Department of Housing and Urban Development (HUD) authorized 5(h) homeownership program properties and other development ventures; and

WHEREAS, the Housing Authority's mission is to increase the number of affordable housing units within the City of Chandler; and

WHEREAS, the City of Chandler wishes to fulfill an obligation of an affordability period for dwelling units that was unmet when Community Services of Arizona defaulted on a HUD funded commitment; and

WHEREAS, the City intends to fulfill this obligation pursuant to Exhibit A (Program Acquisition Guidelines for CSA Replacement Family Properties) for the acquisition and lease of homes targeted for families that make less than 80% of area median income at an affordable rent.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Chandler, Arizona, as follows:

SECTION ONE. The City of Chandler, acting by, for and through the City of Chandler Public Housing Authority (PHA) is hereby authorized to individually acquire, make lease ready, develop guidelines for and lease to certain income qualified families, for the purpose of increasing the stock of affordable housing, those certain parcels of real property, including such structures and improvements thereon, as described above.

SECTION TWO. The acquisition of each property shall be for a sales price that does not exceed the fair market value of the property as determined by an appraisal report issued by a licensed, certified general appraiser at least 90 days prior to the close of escrow on the purchase transaction. In accordance with the terms and conditions described in the aforementioned Program Acquisition Guidelines for CSA Replacement Family Properties, the sales price shall be paid in cash. As used herein, "fair market value" means that value

determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.

SECTION THREE. All sales transactions will be voluntary. Acquisitions will only be transacted with a willing buyer and a willing seller scenario. If either buyer or seller, at any time is not content with the transaction, the acquisition will be terminated or otherwise canceled.

SECTION FOUR. Each purchase shall be undertaken through the execution of a written purchase agreement in a form acceptable to the City Attorney, which will set forth such additional terms and conditions as are necessary to affect the acquisition, and which shall provide for opening and closing of escrow.

SECTION FIVE. Each property purchased will be leased to a qualified family. The rent structure for properties acquired under this program will not be subsidized by HUD and not subject to all HUD rules and regulations. Rents will be structured as an "annual flat rent" at an affordable amount that is targeted to families earning less than 80% of Phoenix/Mesa area medium income for the metropolitan area. These properties will be held for at least ten (10) years and will rent in accordance with HOME defined affordable rents during this period.

SECTION SIX. The Manager of the Housing and Redevelopment Division (PHA Manager), of the City of Chandler, Arizona is hereby authorized to acquire up to 5 properties, make modification to the properties for lease, develop program guidelines and lease the properties to qualified lessees and to execute all documents necessary to consummate the sale transaction with sellers, all in accordance with the terms and conditions as stated in the program guidelines, and subject to the form of such documents being approved by the City Attorney.

SECTION SEVEN. Mayor and Council authorize and approve the reallocation of funding within the Housing and Redevelopment FY 2013/14 budgets to facilitate all costs of this project.

INTRODUCED AND TENTATIVELY approved by the City Council of the City of Chandler, Arizona, the ___ day of _____, 2013.

ATTEST:

_____ _____

CITY CLERK MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4467 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.

APPROVED AS TO FORM:

_____ _____

CITY ATTORNEY GAB CITY CLERK

Exhibit A

Program Acquisition Guidelines for CSA Replacement Family Properties

The City of Chandler Housing Division (aka the Public Housing Authority) will be purchasing up to four (4), two (2) bedroom* housing units and one, three (3) bedroom housing unit within the incorporated boundaries of the City of Chandler. Only dwelling units which are vacant or occupied solely by the owner/family, will be considered for purchase. The City cannot consider any housing units for purchase which are occupied by renters or boarders. The following criteria have been developed by the City of Chandler, Housing Division as a guideline in the purchase of these housing unit. It should be noted that the criteria outlined below is not all inclusive. Additional specification may be added to meet the needs of the City as needs arise. All homes, and component systems of the homes, must be in good condition, as determined by the City.

* Larger bedroom size may be considered, but 2 bedrooms are most in demand bedroom size.

MUST HAVE:
Location within the incorporated boundaries of the City of Chandler.
Two bedrooms (minimum).
Built in 1990 or thereafter. (Newer will receive stronger consideration)
Parking space for two vehicles, one designated.
One housing unit purchased must have ground floor access.
Site built construction.

DESIRABLE:
Located in a community with associated recreational amenities.
Energy Efficient unit e.g. dual pane windows.
Appliances included.
Individually metered utilities, unless paid for by association fees.
Covered parking.
Move in condition.
Storage area associated with housing unit or available on site.

UNDESIRABLE:
Carpeting in Kitchen or Bathrooms.
Master metered utilities.
Fireplace.
Extensive use of wall coverings (wallpaper).

MUST NOT HAVE:
Zoning or building compliance issues.
Located in a 100-year flood plain.