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MEMORANDUM Housing Division - Council Memo No. HD07-18

DATE: NOVEMBER 26, 2007

TO: MAYOR AND CITY COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER 
DOUG BALLARD, PLANNING AND DEVELOPMENT DIRECTOR 

FROM: KURT KNUTSON, HOUSING AND REDEVELOPMENT MANAGER 

SUBJECT: ORDINANCE NO. 3992 AUTHORIZING THE ACQUISITION OF REAL PROPERTY WITHIN THE CITY OF CHANDLER TO BE LEASED TO QUALIFIED SENIOR FAMILIES AND AUTHORIZING THE HOUSING AND REDEVELOPMENT MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO COMPLETE EACH ACQUISITION.

RECOMMENDATION:

Staff and the Housing and Human Services Commission members recommend to the City Council and the Public Housing Authority Commission the introduction and tentative adoption of Ordinance No. 3992 authorizing the acquisition of single family, senior designated properties to be leased to qualified senior families; and authorizing the Housing and Redevelopment Manager to sign all documents necessary to effect the acquisitions and closings.

BACKGROUND:

The Housing and Redevelopment Division is desirous of diversifying and maintaining our affordable housing programs. In conjunction with the previously approved 2007/2008 Housing Annual Plan, Housing staff is proposing the acquisition of single family senior (62 years of age or older) rental properties that will increase the number of affordable rental housing units in our current inventory.

With the recent escalation in land costs, building costs, and housing prices, staff is looking at alternative affordable housing resources. Staff wishes to test the feasibility of this acquisition program. Housing and Redevelopment Staff, with the assistance of the City Attorney's Office is requesting authorization to acquire, three to four scattered site homes based on the following key criteria.

Key criteria to the Housing Acquisition Program:

- Up to four homes may be acquired, made lease ready and leased to senior families at affordable rents. (The lessor must be at least 62 years of age or older. No children under the age of 21 may live in the home or lessor must be in compliance with HOA regulations/rules/governance, whichever are more restrictive.)
- Homes will contain a minimum of 2 bedrooms and may be located in senior designated communities.
- Homes will only be acquired from willing sellers. Homes must be either vacant or owner occupied homes. Homes with tenants or boarders will not be considered for acquisition.
- Homes will only be leased to senior income qualified families. Senior is defined as 62 years of age or older and income qualified is an income between 50% – 80% of area median income. (Currently a two-person household would qualify if their income were between \$24,050 and \$38,500.)
- 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 manage in an independent living environment and demonstrate they can maintain the home.
- The Housing and Redevelopment Manager will be authorized to acquire, make required modifications to, and lease these properties based on additional criteria attached in Exhibit A (Program Acquisition Guidelines for Senior Family Properties) in conjunction with and approval by the City Attorney's Office.

- Sales proceeds from previous Public Housing sales and development proceeds will be used to finance and support the senior single-family housing acquisition program.

DISCUSSION:

If approved, the Housing and Redevelopment Manager will be able to individually purchase, make modification to, make lease ready and lease properties as described above and in accordance with the program as outlined in Ordinance Number 3992. 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 the prospective properties in the winter and spring of 2008. Staff hopes to close escrow on the properties in late spring and summer of 2008.

FINANCIAL IMPLICATIONS:

The costs to implement this project are derived from Public Housing proceeds and other available resources. The funding invested in this proposed project will help protect reserve funding from HUD recapture and has the potential to increase if real estate values inflate in the future. This investment also furthers our core mission to develop affordable housing while preserving the liquidity of the reserve funds.

PROPOSED MOTION:

Move to introduce and tentatively approve Ordinance No. 3992 authorizing the acquisition of real property within the City of Chandler to be leased to qualified senior families and authorizing the Housing and Redevelopment Manager to execute all documents necessary to complete the acquisition and closing of each transaction.

ORDINANCE NO. 3992

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING THE ACQUISITION OF CERTAIN RESIDENTIAL PROPERTIES WITHIN THE CITY OF CHANDLER AND AUTHORIZING THE HOUSING AND REDEVELOPMENT MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO COMPLETE EACH ACQUISITION AND SALES TRANSACTION.

WHEREAS, the City of Chandler Public Housing Authority (PHA) is desirous of acquiring properties from proceeds that were derived from the sale of United States Department of Housing and Urban Development Public Housing Homes and other development ventures; and

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

WHEREAS, the market demand for housing units has shifted from large bedroom units to smaller bedroom units to include "senior" designated units; and

WHEREAS, pursuant to the Exhibit A (Program Acquisition Guidelines for Senior Family Properties) for the acquisition and lease of homes targeted for senior 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, and lease to certain income qualified senior 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 Senior 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 anytime 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 senior 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 "annual flat rent" at an affordable amount that is targeted to senior families that earn near, but less than 80% of Phoenix/Mesa area medium income for the metropolitan area.

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 four properties, make modification to the properties for lease, and lease the properties to qualified senior 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.

INTRODUCED AND TENTATIVELY approved by the City Council of the City of Chandler, Arizona, the ___ day of _____, 2007.

ATTEST:

CITY CLERK

MAYOR

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CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 3992 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of _____, 2007, and that a quorum was present thereat.

APPROVED AS TO FORM:

CITY ATTORNEY *LRB*

CITY CLERK

Exhibit A
Program Acquisition Guidelines for Senior Family Properties

The City of Chandler Housing Division (aka the Public Housing Authority) will be purchasing up to four (4), two (2) bedroom* single-family detached homes within the incorporated boundaries of the City of Chandler. Only homes, which are vacant or occupied solely by the owner/family, will be considered for purchase. The City cannot consider any home for purchase, which is 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 homes. 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 determine by the City.

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

MUST HAVE:

Location within the incorporated boundaries of the City of Chandler.
Two Bedroom (minimum).
Built after 1997. (Newer will receive stronger consideration)
Two-car garage.
Single story.
Site built construction.

DESIRABLE:

Pitched roof.
Tile roof.
Located in a senior designated community with associated amenities.
Gated community.
Ground mounted HVAC system (not roof mounted).
Xeriscape (desert landscaping) with automatic irrigation system.
Handicapped accessibility/adaptability
Homeowner's Warranty
Sunscreens

UNDESIRABLE:

Carpeting in Kitchen or Bathrooms
Trees or plants that are planted too close to the structure.
Accessory Buildings.
Fireplace.
Extensive use of wall coverings (wallpaper).

MUST NOT HAVE:

Swimming pool or spa/hot tub on premises.
Zoning or building compliance issues.
Located in a 100-year flood plain.