

Meeting Minutes

Public Housing Authority Commission

Work Session

July 12, 2021 | 4:00 p.m.
Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ



Call to Order

The meeting was called to order by Chairman Kevin Hartke at 4:00 p.m.

Roll Call

Commissioner Attendance

Chairman Kevin Hartke
Vice Chairman Mark Stewart
Commissioner OD Harris
Commissioner Terry Roe
Commissioner Rene Lopez
Commissioner Christine Ellis
Commissioner Matt Orlando
Commissioner Vanessa Dearmon

Appointee Attendance

Joshua Wright, Acting City Manager
Debra Stapleton, Assistant City Manager
Kelly Schwab, City Attorney
Dana DeLong, City Clerk

Staff in Attendance

Leah Powell, Neighborhood Resources Director
Amy Jacobson, Housing and Redevelopment Manager
Derek Horn, Development Services Director
Kevin Mayo, Planning Administrator
Cori Garcia, Mayor and Council Communications Manager
Micah Miranda, Economic Development Director
Neil Calfee, Calfee Development Advisors

Discussion

1. Presentation and discussion regarding Public Housing Redevelopment.

CHAIRMAN HARTKE called for a staff presentation.

JOSHUA WRIGHT, Acting City Manager, introduced the discussion item and said this conversation began about two years ago and staff is back to provide an update. Mr. Wright said they are looking to reimagine public housing as most public housing was built in the 70's. There is no specific development project as that would come later if there is a consensus among Council on the direction moving forward.

LEAH POWELL, Neighborhood Resources Director, presented the following presentation.

- Public Housing Redevelopment
- Agenda
 - Introductions
 - Public Housing at a Glance
 - Redevelopment Needs
 - Recap Progress
 - Developer Selection
 - Financing Redevelopment of Public Housing
 - Timeline
- Chandler Housing Mission Statement
 - Work together with our community partners to maintain safe, decent and affordable housing for low-income individuals and families within our community.
- Chandler Public Housing at a Glance
 - 4 Family Multi-family sites:
 - 163 units (one to five bedrooms)
 - 1 Senior Multi-family site:
 - 37 units (32 one- and 34 two-bedrooms)
 - Single-family scattered sites:
 - 103 homes (mix of two- to five-bedrooms)
- Proximity to Services and Amenities
 - Locations:
 - Site 1: 130 N. Hamilton
 - Site 2: 210 N. McQueen
 - Site 3: 73 S. Hamilton
 - Site 4: 660 S. Palm Ln
 - Site 5: 127 N. Kingston
 - Trails End: Vacant Land

AMY JACOBSON, Housing and Redevelopment Manager, continued the presentation.

- Defining the Problem
 - Infrastructure Challenges in Public Housing
 - Chandler's aging units - Built in 1972
 - Major Capital Needs \$22M in next 20 years
 - Significant Plumbing and Electrical Systems
 - Replacement Repair/Maintenance costs increasing

- Properties are aging- reaching end of useful life
- Interior Unit
- Public Housing Capital Needs
 - Public Housing Capital Needs by Site
 - Site 1: 130 N. Hamilton
 - Short Term Needs \$2,061,229
 - Long Term Needs \$3,587,516
 - Site 2: 210 N. McQueen
 - Short Term Needs \$1,456,105
 - Long Term Needs \$2,442,284
 - Site 3: 73 S. Hamilton
 - Short Term Needs \$2,0108,044
 - Long Term Needs \$4,416,566
 - Site 4: 660 S. Palm Ln
 - Short Term Needs \$743,527
 - Long Term Needs \$2,286,382
 - Site 5: 127 N. Kingston
 - Short Term Needs \$1,044,625
 - Long Term Needs \$2,083,311
 - Chandler Housing (20-Year Estimate) \$22M Capital Needs*
 - Chandler Housing (20-Year Estimate) \$14M Capital Funds* (\$7.5M Deficit)
- Public Housing Financial Trend
 - HUD Revenue and Expenses
- Overall Portfolio Strategy
 - Improve physical conditions
 - Opportunities for Public/Private Development
 - Secure improved access to affordable housing
 - Reposition the portfolio for long term success
 - Leverage Current Land Inventory
 - Create Mixed-Use & Mixed-Income, Including Market Rate Housing
 - Increase Housing Choice
 - Earn Development Fees
 - Increase Senior Housing Inventory
- How Do We Meeting Out Objectives?
 - Reposition Public Housing Through Rental Assistance Demonstration (RAD)
 - Unit is taken out of the Federal Public Housing inventory and converted from Public Housing (Section 9) to Section 8 assistance
 - Preserve affordable housing availability, using a project-based unit or Housing Choice Voucher
- Benefits of Conversions
 - Avondale Public Housing Site Before
 - Avondale Public Housing Site After

- Recap of Progress
 - June 2019: RAD Consultant for Site Feasibility and Development Structure
 - Oct. 7, 2019: PHAC RAD Work Session
 - June 2020: Completed Capital Needs Assessment (CNA)
 - Oct. 2020: Submitted Public Housing Five-Year Plan
 - Oct. & Dec. 2020: Conducted Public Housing Resident Initial Meetings
 - Sept 2020: Issued RFQE
 - Dec. 2020: Issued RFP for RAD Developer(s)

COMMISSIONER ORLANDO asked about a conversion and if it increased the number of families and if so, by how many.

MS. JACOBSON said yes, but she did not have the exact number. It was a single story on a large piece of land that was mixed income with some tax credits.

COMMISSIONER ORLANDO said the idea was to create a market rate and less than market rate.

MS. JACOBSON said yes, there is an opportunity to create some market rate and have some that are lower income.

COMMISSIONER ROE asked if all of Chandler's housing units are in play for these conversions.

MS. JACOBSON said they are looking at two development scenarios.

COMMISSIONER ROE asked if they would get rid of a number of homes to fund the project.

MS. JACOBSON said the way the RFP was written, that was not part of the discussion as these were able to be financed on their own without having to sell single family homes.

COMMISSIONER ROE asked if they are growing the program.

MS. JACOBSON said it is a one-to-one replacement as the families are moved to the new places then it is the same net number unless there are additional market rate units.

NIEL CALFEE, Calfee Development Advisors, continued the presentation.

- Request for Proposal
 - City-Owned Vacant Land Trails End
 - Located at 1032 E. Trails End
 - Vacant Land (3.48 acres)
 - New Construction
 - Family or Senior Housing
 - Resident Community Center

- Amenities
- Request for Proposal
 - Public Housing Site 3
 - Located at 73 S. Hamilton
 - Family and/or Senior Housing Project
 - Currently 40 units (one to five bedroom units)
 - 7.42 acres + additional land
 - Demo/New Construction or Rehab
 - Housing Youth Center
- Site Selection For Phase I
 - Benefits the City Trails End
 - Vacant City-Owned Land
 - Preferred Family Site as First Phase
 - Reduced Relocation Costs
 - Move Public Housing Residents onsite
 - Comply with General Plan and Area Plan
 - Create Synergy and Resident Involvement
- Gorman and Company
- About Gorman & Company
 - 35 years of Affordable Housing and Community Development Experience
 - 400+ people with a wide variety of experience
 - Vertically integrated: Development, Architecture, Construction, Asset/Property Management
 - Works closely with local governments and community groups to help communities meet their development, planning, economic and social goals
- Gracie's Village Tempe
- Lofts at McKinley Senior Housing Phoenix
- Madison Heights RAD Conversion Before and After
- Monroe Gardens RAD Conversion Before and After
- Heritage at Surprise RAD Conversion Before and After
- Escobedo at Verde Vista RAD Conversion Before and After
- River at Eastline Village RAD Conversion Before and After
- Affordable Housing Financial Components
 - Rental Assistance Demonstration (RAD)
 - Low Income Housing Tax Credit (LIHTC)
 - Layered Approach (public and private funds)
 - Long-Term Ground Lease
- Example of RAD Project Financing Soluna, Phoenix
 - Sources
 - First Mortgage \$5,500,000
 - Low Income Housing Tax Credit \$5,049,162
 - (LIHTC) Equity

- Deferred Developer Fee \$231,557
- Soft Funds \$4,500,000
- Total \$15,280,719
- Uses
 - Acquisition \$0
 - Hard Costs \$10,465,156
 - Soft Costs \$4,378,133
 - Reserves \$437,430
 - Total \$15,280,719

COMMISSIONER ORLANDO asked how owned it.

MR. CALFEE said the developer owns it.

COMMISSIONER ORLANDO asked for how long.

MS. POWELL said the land stays in the City's name, the development agreement details how it works out and there are different formulas on how it is operated.

COMMISSIONER ORLANDO asked if the renter is given a voucher, how the operating costs are controlled. Commissioner Orlando said over the next 5-8 years there would be new items put in as the landlord and how the costs are mitigated.

MR. CALFEE said the rent coming in goes to maintenance to keep the buildings fresh. The private sector has to maintain those reserves.

COMMISSIONER ORLANDO asked how old the oldest RAD unit is in Phoenix.

MS. JACOBSON said 2013 to 2014.

COMMISSIONER ORLANDO said he would like to see how they are doing today and if the rents were raised.

MS. POWELL said the rules are similar to Section 8 and the rents are fixed by HUD. Market units could have change but for those that are subsidized they have to stay within the regulations.

COMMISSIONER ELLIS said they would lose that subsidy then.

MR. CALFEE said they have chosen this developer because they have a track record of doing these types of successful projects and know the business.

COMMISSIONER ORLANDO said he did not have a problem with the concept but wanted more information on the operating costs over the last eight years and the success of the program.

MS. POWELL said the rules are the same as Section 8 and are operated the same way. Ms. Powell said staff could get more information on the length of stays from other cities.

MR. CALFEE said the units have to be inspected and maintained so there are additional checks on maintenance compared to the private sector.

COMMISSIONER DEARMON asked about the hard costs and soft costs and asked how they came up with the numbers.

MR. CALFEE said these numbers came from the developer.

COMMISSIONER DEARMON asked about the \$4 million.

MR. CALFEE said this would be any other sources of funds since there are many programs out there.

MS. POWELL said this was an actual project.

MR. CALFEE said this was a simplified breakdown but they could get more information.

COMMISSIONER DEARMON said she would like the breakdown and verify the City is also eligible for those funds.

MS. POWELL said staff would be looking for all opportunities for funding available and the City does have capital that could be put towards the project. Ms. Powell said there has also been discussion regarding Kingston Arms.

COMMISSIONER LOPEZ said there was a myriad of solutions that could be thrown at this and asked what data provides the best set up for the families to have the best outcome and get off of assistance. Commissioner Lopez asked which type of project does this best.

MS. JACOBSON said RAD is just taking public housing and moving it to a Section 8 platform. Ms. Jacobson said the average length of stay in Section 8 is five years. In public housing the average stay is seven years. Ms. Jacobson said if they develop out of public housing and into Section 8 then hopefully that trend would continue.

COMMISSIONER LOPEZ asked if there was a better outcome with mixed income.

MS. JACOBSON said the financing is dictated on market rate and low income because of how the tax credits are calculated.

COMMISSIONER LOPEZ asked if we are in a housing bubble then the rents are able to be raised and would make up the revenue for the site.

MS. POWELL said HUD is pushing the RAD program because it is hard to afford the subsidized public housing and it does not pencil out anymore. Ms. Powell said they want to give residents better housing and there are limitations with the current housing sites. It is important to provide nice quality housing and that does help people being able to move up.

COMMISSIONER LOPEZ said it helps everyone and creates a sense of community. Commissioner Lopez said they need to find the best outcome for them and the best outcome financially.

CHAIRMAN HARTKE said they are just approving direction and staff would come back later with more information.

COMMISSIONER ROE said if we choose Gorman and Company, it becomes their program and asked how much the City is involved.

MS. POWELL said the City would always be the ones to manage the vouchers. Ms. Powell said it has not been determined who would manage the properties as that is still being negotiated.

COMMISSIONER HARRIS said within the internal structure of the program, the rent is going towards the maintenance, and it would not cost the City since this is built in. Commissioner Harris asked about labor costs.

MS. POWELL said this would be part of the decision as it could be either the City, the developer, or a non-profit. Ms. Powell said if the City was to do it, it would run like the public housing sites but either way it is covered by the rents paid.

COMMISSIONER ELLIS said she was familiar with the program, and this is where Chandler needs to be now. Commissioner Ellis said these projects are feasible and it has been done and the City can do it.

COMMISSIONER LOPEZ asked if there is a profitability cap for the private sector or if the profits feed into the low-income housing.

MS. JACOBSON said the developer's fee cannot be more than 12% on a project like this.

COMMISSIONER LOPEZ asked if that was per annum or just on the development of the project.

MS. JACOBSON said on the project. Ms. Jacobson said there is no debt service on these.

COMMISSIONER LOPEZ asked if there was a cap on annual profits.

MS. JACOBSON said there is usually not a lot of excess cash since the rents are so low.

MS. POWELL said there is a site that built in a funded staff member to do senior classes and recreation so there is opportunity to build services into the project.

COMMISSIONER ORLANDO said he liked the idea. Commissioner Orlando said he likes scattered sites because people are integrated into the community. Commissioner Orlando said he was concerned about the ratios and where it becomes more lucrative to have higher end products.

MS. POWELL said that would be a discussion with the developer. Ms. Powell said RAD is a one to one, and LIHTC guidelines would also come into play.

COMMISSIONER ORLANDO said he was also worried about sustainability and mixed income.

MS. POWELL said those details would be addressed when they have a project and the density.

CHAIRMAN HARTKE said it sounds like this is the direction HUD is going and the solution they are pushing for. Mayor Hartke asked if HUD would be less likely to provide funding if the City went a different direction.

MS. POWELL said HUD is pushing this to get the federal dollars out of this. Ms. Powell said if there was a major system failure HUD would not be providing dollars and that would have to come from the City. HUD is pushing to get federal dollars out of public housing and into a public private partnership.

CHAIRMAN HARTKE asked if this would be more self-directing in what the City could do in the future such as CDBG funds.

MS. POWELL said when the agreement is structured, the City would determine what resources to bring and what the formula would be for the project. Ms. Powell said this would be run just like Section 8 and staff would administer the vouchers and possibly maintenance. Ms. Powell said they would not use CDBG funds for this unless it was for programming.

CHAIRMAN HARTKE asked for the examples presented what the percentage is for subsidized versus market rate.

MS. JACOBSON said from the developer's perspective, this is Phase II project and has more market rate. Ms. Jacobson said Phase I had subsidized and Phase II had more market rate.

CHAIRMAN HARTKE asked if other cities use the low-income housing tax credit.

MR. CALFEE said a challenge is that to attract a market rate renter the first phase has to be done. This starts the trend and more could be done in the second phase. Each project is unique.

CHAIRMAN HARTKE asked if the soft funds are acquired by the City or the developer.

MS. POWELL said the City has looked at HOME dollars and some other options.

MR. CALFEE said the funds available can always change and be nimble to take advantage of opportunities.

COMMISSIONER HARRIS said he was concerned about increased police calls to denser site and if staff had any data regarding that. Commissioner Harris asked if the developer has information on these statistics for their projects.

MS. POWELL said staff selects the families and our own housing investigator. Ms. Powell said there are the same rules, inspections, and recertifications that the City oversees.

COMMISSIONER HARRIS asked if market rate tenants are analyzed the same way.

MS. JACOBSON said that would be through the property manager.

COMMISSIONER HARRIS said he wants to know what they do and their screening process.

MS. POWELL said the screening process could be negotiated with the property manager.

MS. POWELL continued the presentation.

- Additional Benefits Trails End
- Request for Direction
 - Submit Rental Assistance Demonstration Application to HUD
 - Negotiate a Development Agreement with Gorman & Company to develop proposed projects for Trails End and Site 3 sites
 - Pursue land assemblage for highest and best use
- RAD Conversion
- Next Steps in a RAD Conversion
 - Application
 - CHAP
 - PHA Significant Amendment
 - Financing Plan Submission
 - RAD Conversion Commitment

- Construction
- Closing
- Estimated Timeline
 - Trails End
 - Site 3

COMMISSIONER ORLANDO asked about the scattered housing sites and how the CHDO and Newtown and how they are impacted by this.

MS. POWELL said there is the rest of the portfolio once residents are moved to these new sites and there needs to be discussion on what would be done with those. Ms. Powell said there are options for the scattered sites such as home ownership opportunities and community land trusts.

COMMISSIONER ORLANDO asked what the time frame was.

MS. POWELL said the next step is to move forward with this and determine the soft costs that need to be covered. Ms. Powell said once the project is done then they could review the portfolio.

MAYOR HARTKE said there was consensus that Council was good with the direction.

COMMISSIONER ORLANDO asked how many sites there were at Newtown.

MS. POWELL said 69.

COMMISSIONER ORLANDO asked if those were sold to the residents.

MS. POWELL said yes. Ms. Powell said ARM does the rental piece.

COMMISSIONER ROE said he supported a project like this for seniors.

VICE CHAIR STEWART asked if PHAC was a recommending body to Council.

MS. POWELL said PHAC is the recommending authority to staff, and this does not have to go back to Council. Ms. Powell said there may be components of the development that has to go to PHAC and Council.

COMMISSIONER LOPEZ said he wanted to see the development agreement details.

MAYOR HARTKE said they are giving approval to move ahead and anything that involves money would come back. Mayor Hartke clarified they are giving direction for staff to move forward with the RAD application, work with the developer, and review the sites for the highest and best use.

VICE CHAIR STEWART said at a prior meeting they discussed keeping Trails End and not selling it.

Adjourn

The meeting was adjourned at 5:14 p.m.

ATTEST: *Dana R. D'Long*
City Clerk

Kevin Harthe
Mayor

