

Meeting Minutes

City Council Work Session

April 11, 2022 | 4:30 p.m.
Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ



Call to Order

The meeting was called to order by Mayor Kevin Hartke at 4:30 p.m.

Roll Call

Council Attendance

Mayor Kevin Hartke
Vice Mayor Terry Roe
Councilmember OD Harris
Councilmember Mark Stewart
Councilmember René Lopez
Councilmember Christine Ellis
Councilmember Matt Orlando

Appointee Attendance

Josh Wright, City Manager
Kelly Schwab, City Attorney
Dana DeLong, City Clerk

Staff in Attendance

Tadd Wille, Assistant City Manager
Dawn Lang, Deputy City Manager/CFO
Andy Bass, Deputy City Manager
Matt Burdick, Communications and Public Affairs Director
Leah Powell, Neighborhood Resources Director
Amy Jacobson, Housing and Redevelopment Manager
Ryan Peters, Strategic Initiatives Director
David de la Torre, Planning Manager
Kevin Mayo, Planning Administrator
Derek Horn, Development Services Director
Steven Turner, Assistant to the City Manager
Melissa Quillard, Mayor and Council Communications Manager
Alexis Apodaca, Governmental Relations Coordinator

Discussion

1. Presentation and discussion on Chandler housing affordability, types, definitions, current conditions, and future options.

MAYOR HARTKE introduced the discussion item and called for a staff presentation.

JOSHUA WRIGHT, City Manager, said this is a complex issue and there are many market factors out of the City's control. Chandler already has a number of affordability policies in place, including the Public Housing Authority which has been providing assistance since 1972, and the General Plan which also calls for a variety of housing types.

AMY JACOBSON, Housing and Redevelopment Manager, presented the following presentation.

- Housing Affordability
- Meeting Intent
 - Why is Housing Affordability a Growing Issue?
 - Data/Market Conditions
 - How is Affordable Housing Defined?
 - What is the City Already Doing?
 - What Additional Tools/Options Are Available?
- Why is Housing Affordability a Growing Issue?
- Factors and Impacts
 - Factors
 - High employment and population growth
 - Low housing inventory
 - Low rental vacancy rates
 - Low interest rates/high inflation
 - Unstable supply chains, labor/material costs
 - Impact
 - Increased housing costs and incomes not keeping pace
 - Diminishing housing affordability
 - Increased housing cost burden
- Population Growth and Employment
 - Population growth 2007-2020 with largest increase age group: 55+
 - Job growth projection: Increase of 67,300 new jobs over 2020-2055 period

KEVIN MAYO, Planning Administrator, continued the presentation.

- Limited Housing Supply
 - Multi-Family Apartment Inventory in Chandler
 - Homes for Sale (Maricopa and Pinal County)
 - Homes currently on the market per MLS: Approximately 5,000
 - Homes typically on the market per MLS historically: 22-24,000

- Currently 20-23% of normal

MS. JACOBSON continued the presentation.

- Housing Cost Increases
 - Average cost for a three-bedroom home is \$502,000 in Chandler (\$290/sqft)
 - Average Sales Prices (For-Sale Housing) by Bedrooms in City of Chandler
- Housing Cost Increases
 - Average effective monthly rent in Chandler \$1,880 per unit (\$2.00/sqft)
 - Effective Monthly Apartment Rents by Bedrooms in City of Chandler
- Median Home Values and Household Income
 - Income growth not keeping pace with housing cost increases
- Housing Affordability
 - Current Affordable Housing Prices by Household Income Bracket
- Diminishing Housing Affordability
 - Increased Cost Burden
 - Approximately 23,200 households in Chandler are cost-burdened, expending more than 30% of their before-tax income on housing expenses. About three-quarters of the cost burdened households are below 80% AMI
- Diminishing Housing Affordability
 - Current Affordability Gap Analysis for Chandler
 - 23,221 Units Affordable Supply Gap
- How is Housing Defined?

MR. MAYO continued the presentation.

- Housing Continuum
- Affordable Housing
- Workforce Attainable Housing
- Market Rate Housing

MS. JACOBSON continued the presentation.

- Diminishing Housing Affordability
 - “Market Rate” Housing in Chandler
 - Estimated current relationship between affordable income limits and market prices of housing in Chandler
- What is the City of Chandler currently doing to address housing affordability?
- Actions and Strategies
 - Create more homes for more people
 - Increase inventory of all types and for all incomes
 - Keep housing affordable and in good repair
 - Help people stay in their homes and communities
- Actions and Strategies
 - Create More homes for More People

- Units added from January 2018 – April 2022
 - 2,709 single family units
 - 4,275 multi-family units
- Additional Affordable Units
 - Newtown Community Land
 - 69 homes plus 2 pending
 - 8 added since 2018
 - ARM
 - 14 affordable rental units plus 2 pending
 - 3 added since 2018
 - Habitat for Humanity
 - 15 homes
 - Low Income Housing Tax Credit (LIHTC) Units
 - 447 Units
 - Affordable Workforce Housing concepts introduced during preliminary discussions with developers
- Actions and Strategies
 - Keep housing affordable and in good repair
 - City Public Housing Authority providing 303 units
 - 163 family units
 - 37 senior units
 - 103 single-family units
 - Repositioning Public Housing through Rental Assistance Demonstration (RAD)
 - Housing Rehabilitation Program
 - Average of 25 homes per year received assistance with repairs related to health and safety
 - Let's Pull Together
 - In 2021, volunteers worked on over 200 homes
- Actions and Strategies
 - Help People Stay in Their Homes and Communities
 - Tenant Based Rental Assistance (TBRA)
 - 25 vouchers providing for 24 months of assistance
 - HOME funded
 - Follow HUD payment standards
 - Tenant pays 30% of their income
 - Emergency Housing Vouchers (EHV)
 - 28 vouchers provide assistance through 2030
 - ARPA funded
 - Follow HUD payment standards
 - Tenant pays 30% of their income
 - Landlord Incentive Program

COUNCILMEMBER ORLANDO asked about the 496 vouchers and if all were being utilized today.

MS. JACOBSON said the utilization is lower at about 450.

COUNCILMEMBER ORLANDO asked why.

MS. JACOBSON said it is difficult to get the landlords to accept the vouchers because they can charge a higher rate on the market.

COUNCILMEMBER ORLANDO asked what the delta is that the City pays.

MS. JACOBSON said the family pays 30% of their income and the City will pay up to the maximum payment standards. A two-bedroom payment standard is \$1,300 a month and that is a HUD regulation.

COUNCILMEMBER ORLANDO said the average for a one bedroom is \$1,800 and asked about the trend they are seeing.

MS. JACOBSON said a lot of public housing authorities in the nation are experiencing the same issue with rising housing costs.

COUNCILMEMBER ORLANDO asked about the emergency housing vouchers.

MS. JACOBSON said it is similar to the housing choice voucher, but it is for those experiencing homelessness.

MAYOR HARTKE said the vouchers were repositioned to be more desirable or asked if it was a lower percentage than the normal vouchers.

MS. JACOBSON said yes, the voucher is in partnership with the VA and the PHA has an agreement with them so she is hoping for a better referral process, but Chandler does not have any of those vouchers.

MAYOR HARTKE asked if Mesa and Phoenix were the two that we receive them from.

MS. JACOBSON said yes.

COUNCILMEMBER HARRIS confirmed that they recently voted to increase the market rate.

MS. JACOBSON said yes.

COUNCILMEMBER HARRIS confirmed that that was still not enough to be competitive.

MS. JACOBSON said yes, the vote was to go 120% of fair market rent, which is the highest HUD allows, so that is what they had done but it still does not match the market.

MAYOR HARTKE said this was a recent increase in the past year.

MS. JACOBSON said yes.

MR. MAYO continued the presentation.

- Continued Need

MS. JACOBSON continued the presentation.

- What Additional Tools/Options Are Available?
- What Programs are in Effect Now?
 - Federal, state and local funding provides low-interest financing for affordable housing
 - Redevelop City-owned properties
 - Down-payment assistance for first time homebuyers
 - Community Land Trust
 - Incentives: land grants, tax abatements, lower or abated permit fees, water connections, and sewer hook-ups, expedited review process
 - Project Based Vouchers
 - Low Income Housing Tax Credits (LIHTC)

COUNCILMEMBER ORLANDO asked if there was a time limit.

MS. JACOBSON said it is 15 years but there is an extended use period for another 15 years.

MAYOR HARTKE asked if there was a hurdle between the renewal point or if people are committing to 30 years with the LIHTC program.

MS. JACOBSON said the investor could get 10 years of credit and after that 15 years of compliance they could facilitate another qualified contract and ask for another 15 years. It is a provision under the tax credit rules but it is project by project what the developer decides.

MAYOR HARTKE asked if there was a way from the beginning to enter into LIHTC and ensure that they are going to get more than 15 years.

MS. JACOBSON said it would be something the developer would have to negotiate through the LIHTC financing and the Department of Housing, but it would be based on the project.

COUNCILMEMBER ORLANDO asked what the typical rents are for LIHTC.

MS. JACOBSON said it depends on the type of project it is, 20% of the units have to have below 50% AMI or 40% have to be below 60% AMI or there could be 100% affordable and they get more credits. This is all done in the underwriting process.

COUNCILMEMBER ORLANDO said it could be a variable and multiple income levels.

MS. JACOBSON said yes, it depends on the qualified allocation plan depending on how the development is structured.

COUNCILMEMBER ORLANDO asked for more information on LIHTC. Councilmember Orlando asked about the community land trust and said it has been around for a while. Councilmember Orlando asked if Newtown is having a hard time finding houses to buy.

MS. JACOBSON said yes, they would usually find housing that is affordable but they are not able to buy single family homes in the price they would usually buy so there are no new homes in the last year.

MR. MAYO continued the presentation.

- What Do The Guiding Documents Say?
 - General Plan
 - Provide for a variety of housing choices for all income levels
 - Continue to encourage private investment in affordable housing
 - Increase capacity for and coordination of affordable housing programs and projects
 - Concentrate of improving housing affordability citywide
 - Encourage compatible infill projects

COUNCILMEMBER STEWART asked for clarification on the increased capacity for affordable housing programs and if that was from a HUD document.

MR. MAYO said that is from the General Plan toward the Housing Authority's efforts.

MR. MAYO continued the presentation.

- Constraints and Limitations
 - Chandler nearing buildout, limited land available for housing options
 - State law prohibits municipalities from implementing certain controls on rent increases
 - State law prohibits municipalities from requiring affordable housing as a condition of zoning
 - Housing projects often take several years before units become available
- Potential Affordable / Workforce Housing Planning Tools
 - Potential Planning Tools

- Stipulating a certain number of affordable/workforce housing units through development agreements (conditions apply)
- Allowing accessory dwelling units in areas where lot size and infrastructure may support it
- Allowing higher density where additional affordable/workforce units are proposed
- Reducing standard suburban setbacks to accommodate affordable/workforce housing in the infill area
- Providing for reduced parking ratios for 2- and 3-bedroom affordable/workforce housing units

COUNCILMEMBER ORLANDO asked about Mariposa Community.

MR. MAYO talked about the parcel and figured out how to make it work. This was a fantastic infill piece and encouraged people to look at the property.

VICE MAYOR ROE said if someone were to build that property they would need to provide workforce housing and asked what the incentive would be.

MR. MAYO said they are trying to work out a partnership with developers to achieve everyone's goal.

VICE MAYOR ROE said it would be good to insert the word partnership.

COUNCILMEMBER ORLANDO asked if they would get LIHTC too.

MR. MAYO said it depends on the development and what the percentage of units would be and the AMI. This has to be determined at the beginning of the project to ensure it is going to work.

COUNCILMEMBER HARRIS asked if we are suggesting six plexus or four plexus since the lots are not as big.

MR. MAYO said yes, it is a case-by-case basis and they have to balance the compatibility of the land use and appropriate transitions and maximizing the land.

COUNCILMEMBER HARRIS asked how cooperative or partnership oriented have the landlords been with the residents experiencing eviction or keeping rent at an affordable increase.

MS. JACOBSON said it has been a difficult conversation. Today staff fielded a call from a landlord that wanted to increase the rent by \$500 and they are unable to pay that additional amount. The landlords say that they are losing money and they are seeing the market demand higher rent

prices. Ms. Jacobson said they do offer existing landlords or new landlords a \$1,000 sign on bonus as an incentive, but they are getting these types of calls more frequently.

COUNCILMEMBER HARRIS asked if they have started looking at some of the blight buildings in Chandler and how they could be converted to a mixed use.

MS. JACOBSON said they are redeveloping public housing for that purpose.

COUNCILMEMBER HARRIS asked if they are looking into tiny homes as well.

MS. JACOBSON said yes, in conjunction with some nonprofits.

MAYOR HARTKE said there are some aging retail centers that they are in conversations with to turn it into mixed use.

COUNCILMEMBER ELLIS said this is not something that is surprising and if staff had to pick a couple of next steps to work on to help right away what those would be.

MR. MAYO said from the planning perspective would be starting conversations early with developers to achieve the goal and have a unified message. Mr. Mayo said density is a double-edged sword to make it acceptable to the homeowners in the area. Mr. Mayo said setbacks are still suburban in nature but there is a supply and demand problem.

COUNCILMEMBER ELLIS asked about how much education is done on the lots remaining, so the neighbors understand the problem and that they need to build.

MR. MAYO said the community outreach has become a lot of their job and most cases has increased to three or four neighborhood meetings and they do as much education as they can.

MAYOR HARTKE asked for an example of reduced setbacks.

MR. MAYO said the Alta San Marcos and Park Lane had the setbacks tailored specifically for that site.

MS. JACOBSON continued the presentation.

- Next Steps
 - Continue Repositioning of Public Housing to Increase Availability of Units
 - RAD Development Agreement anticipated late spring
 - Use planning tools and incentives to stimulate private sector housing affordability solutions
 - Updates codes and area plans to reflect need for more housing options
 - Support State and Federal efforts to address housing strategies and affordability

COUNCILMEMBER STEWART said there was stress on upper income housing and the shortage of inventory overall. This is not just a local issue but a national issue. Councilmember Stewart said there are a lot of other factors in this, but we are trying to address this with zoning on the local level. Councilmember Stewart asked for more information on the current supply chain so if they did do a project how quickly could they start. Councilmember Stewart asked if there was enough staff to process this quickly enough.

MR. MAYO said the zoning process takes time, but it is compressed compared to what it was before. The cost problems are in the supply chain issues and out of control costs. It is hard for a business to get the portfolio ready and there are a lot of questions on how to get the product to market. Many of these issues are outside of the City's control.

COUNCILMEMBER STEWART asked if they would hurry and get the zoning done if that would alleviate the issue.

MR. MAYO said it is one piece of it but there are a lot of steps in the process.

COUNCILMEMBER STEWART said someone should not be required to do something to develop their land if they have the property rights to do something.

COUNCILMEMBER ORLANDO said there have been a lot of comments from the State and was concerned that if the City does not do something than the State is going to. Councilmember Orlando said we have to show the stakeholders that they are trying to work on this issue, but we also need their help. There may be some type of incentive for developers to do an affordable housing project. Councilmember Orlando said he wanted to come up with solutions to present to the legislature.

COUNCILMEMBER LOPEZ asked if there was intention that staff would come back with some detailed plans on what they believe would make movement on the issue.

MR. WRIGHT said they are making progress on a development agreement for the RAD project and that would be a Council agenda item coming soon. Mr. Wright said Council would also see some code updates to make a more streamlined development process and address some of these issues. Staff would come back with a more defined roadmap.

COUNCILMEMBER LOPEZ said everyone wants to be in Chandler; there are jobs coming in, and holistically people want to live here. There is a massive gap with affordability and there are people willing to pay to live in Chandler. Councilmember Lopez said they have talked about a lot of issues out of our control and there is a 23,000 household gap in Chandler with 110,000 households. Almost a quarter of more houses they need with only 3% of land left. Councilmember Lopez asked if it was even feasible to build their way into a solution.

MR. MAYO said if the end goal is for everyone to have a house they could afford it is not something that could be achieved. They would always be trying to get there as it is a moving target.

COUNCILMEMBER LOPEZ said not everyone can afford to live here, and there are way more jobs here and that not everyone who works here would be able to live here. Councilmember Lopez said this is something they need to address and work with developers to create a partnership.

MAYOR HARTKE asked if there was something coming from the State that might help.

RYAN PETERS, Strategic Initiatives Director, said as they evaluate the legislature at the Capitol they look at incentives to build affordable housing. The effort at the legislature is to have a matching tax credit program for affordable housing and a trust fund to allow developers to tap into to generate resources necessary to produce these products. Mr. Peters said they want to balance local decision making.

MAYOR HARTKE asked how much the legislature was proposing.

MR. PETERS said \$90-100 million for the housing trust fund.

COUNCILMEMBER HARRIS said they may need to look at some of the protected corridors and see what areas could be mixed-use and keep an open mind. Councilmember Harris said they need to still be mindful to keep residents in Chandler. Councilmember Harris talked about the eviction issue and how residents are starting to be displaced and residents are leaving the community even though they do not want to. Councilmember Harris said he wanted to ensure they are bringing in good partnerships for the residents.

COUNCILMEMBER STEWART said Council heard about low inventory, work force housing shortage, inflation, short term rentals, and they have a supply and demand shortage. If they do not show some effort in doing what they could on this issue, then the State would make the decision for them. This is a big issue that would not be solved easily. Councilmember Stewart said he did not want to force the developers to do anything but wanted to create those partnerships.

COUNCILMEMBER ELLIS said a stipulation is a give and take. They are not being forced to do anything, but they are working in partnership with the developers. Councilmember Ellis said they had not talked about seniors, but they have been totally priced out of the market and a huge amount of seniors are homeless. Councilmember Ellis asked how that was being addressed.

MS. JACOBSON said they are looking at that in the RAD development agreement and that is a priority for staff. There are over 400 seniors on the waiting list for public housing. There is a demand and as they do these deals that some of those units are for seniors.

COUNCILMEMBER HARRIS thanked staff for the landlord invitation to bring awareness and bring in partners that want to help the City. Councilmember Harris said he wanted to see more education on what the City is doing and the resources available and this would be a good event to talk to landlords and developers. Councilmember Harris said he would like to see more of these events.

MAYOR HARTKE thanked staff for the presentation.

Adjourn

The meeting was adjourned at 5:44 p.m.

ATTEST: _____
City Clerk

Mayor

Approval Date of Minutes: April 28, 2022

Certification

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of the City Council of Chandler, Arizona, held on the 11th day of April 2022. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this _____ day of April, 2022.

City Clerk