



HHSC Memorandum Neighborhood Resources Department- Memo No. HD24-05

Date: April 10, 2024

To: Housing and Human Services Commission

Thru: Leah Powell, Neighborhood Resources Director

From: Amy Jacobson, Housing and Redevelopment Senior Manager

Subject: Introduce and tentatively adopt Ordinance No. 5092, approving a ground lease at 77 North McQueen Road with Villas on McQueen, LLC

Recommendation: Staff proposes to the Housing and Human Services Commission (HHSC) members the recommendation to the City of Chandler Council approving the Ground Lease with Villas on McQueen, LLC.

Background: The City of Chandler is seeking approval of a lease with Villas on McQueen, LLC. This Lease is entered into in conjunction with Landlord's goal of establishing and preserving the City of Chandler's public and affordable housing. Specifically, the Resolution No. 5604 approved by the Chandler City Council on July 14, 2022 (the "Resolution") to allow Landlord (City of Chandler) to take the necessary steps to enter a U.S. Department of Housing and Urban Development's ("HUD") Rental Assistance Demonstration program ("RAD Program") for property known as Villas on McQueen, located at 77 North McQueen Road in Chandler, Arizona. This Lease is made in accordance with the Resolution 5604.

Discussion: The basic terms of the lease are:

- A 99 year lease of the land located at 77 North McQueen
- Tenant shall have the right to construct a 157 unit apartment complex and related improvements (collectively, and together with such other improvements to the Land made from time to time by Tenant under this Lease, the "Improvements") on the Premises and to use the Premises and the Improvements as an affordable housing project in accordance with Applicable Laws, the terms of this Lease and the CC&Rs for the duration of the Term.
- The initial ground lease rate is \$4,000.00 per year during the first year of the term, increasing at a rate of three percent per annum (3%)

- The lease defines the restrictions to affordable housing and may not be used for another purpose without written consent of the city
- Families residing in Chandler Public Housing sites at 210 North McQueen and 73 South Hamilton will occupy 78 of these units
- There is a preference for seniors, veterans, and persons with disabilities
- Construction of Villas on McQueen will be completed in 2026
- Landlord and Tenant acknowledge and agree that Tenant shall pay for all costs of constructing the improvements

The agreement also includes updated contractual language regarding insurance, indemnification, environmental liability, property inspections and other business matters.

Proposed Motion: Move to recommend Ordinance 5092 approving a Ground Lease at 77 North McQueen Road with Villas on McQueen, LLC.,