Council Work Session

August 11, 2025 | 4:00 p.m.

City Council Conference Room

CHANDLER
arizona

Today's Agenda

What is Housing?

It is referred to by many names:

- Affordable Housing
- Attainable Housing
- Workforce Housing
- Missing Middle Housing
- Market Rate Housing

The goal is that a household pays no more than 30% of their income on housing including utilities. High housing costs affect service employees and critical service personnel: teachers, EMS workers, construction workers, nurses, etc.

National State of Housing _ 2025

“*The State of the Nation’s Housing 2025*”, Joint Center for Housing Studies of Harvard University

High home prices and elevated interest rates reduced homebuying to its lowest level since the mid_1990s.

Despite an abundance of new apartments, high rents have left more people than ever cost burdened, and have contributed to a sharp rise in homelessness.

Increases in both insurance premiums and property taxes have heightened financial stress on homeowners and landlords.

Federal housing support is lessening, creating uncertainty regarding the availability of crucial assistance programs.

Housing IS an Economic Development Strategy

Reasons for Housing as an Economic Development Strategy

- Reliable Workforce
- Talent Attraction
- Poverty Reduction
- Mixed Income Neighborhoods
- Increased Community Diversity
- Enhanced Economic Mobility
- Increased Property Values and Tax Base
- Increased Disposable Income
- More Business Tax Revenues

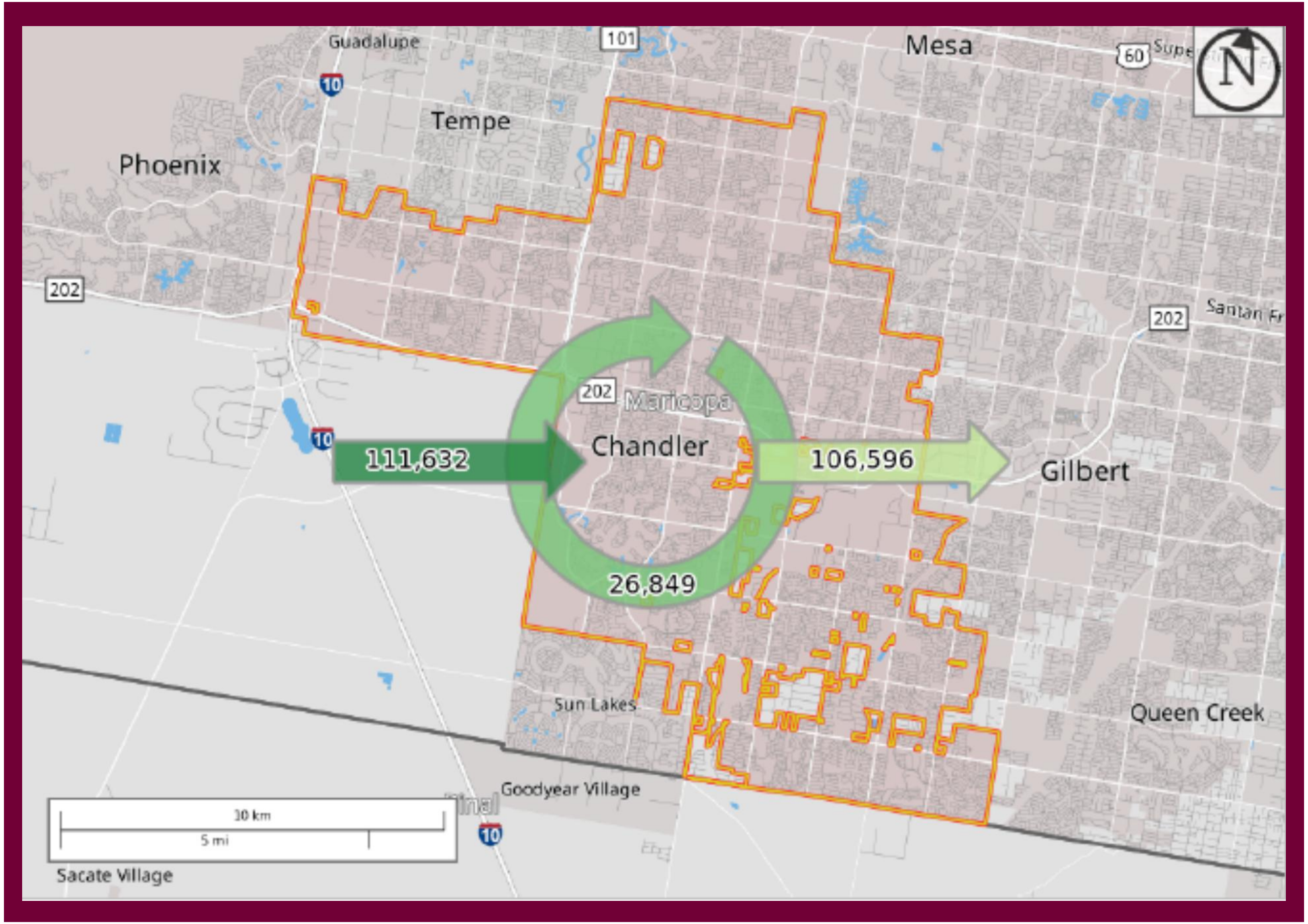
"Why Local Governments Should Make Housing Part of Their Economic Development Plans", Jenn Steinfeld, National League of Cities, January 16, 2024

Comprehensive Housing Study

Housing Assessment Process

- Data Collection & Analysis
- Stakeholder Interviews & Public Engagement
- Housing Gap Analysis
- Housing Needs Assessment
- Policy & Regulatory Review
- Strategy Development

Commuting Flow



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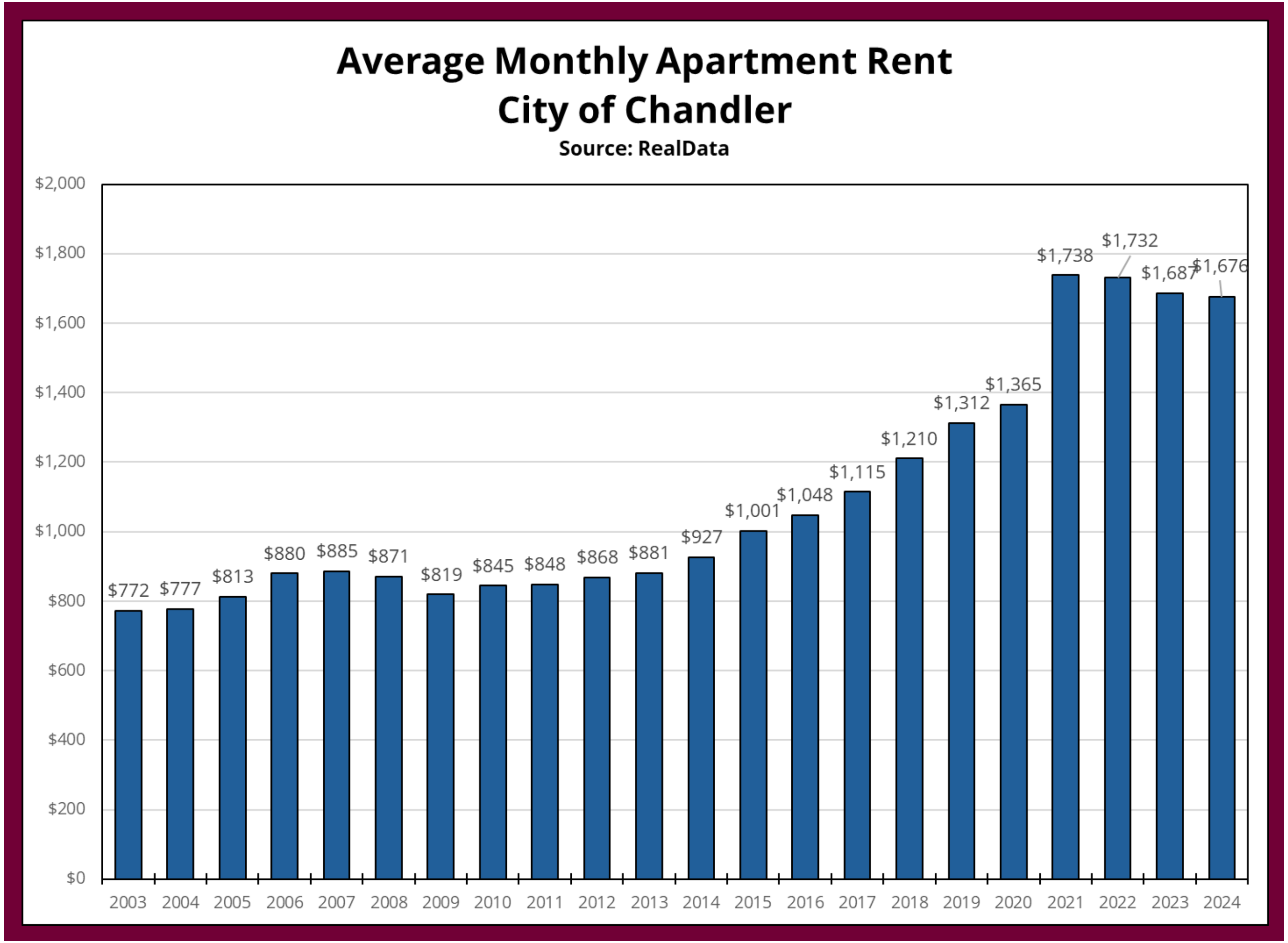
Apartment Market

Average rent increased by 27% in 2021



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Chandler Home Price History

Resale home prices increased by 63% between 2022 and 2019.

New homes prices increased by 51% between 2022 and 2020.

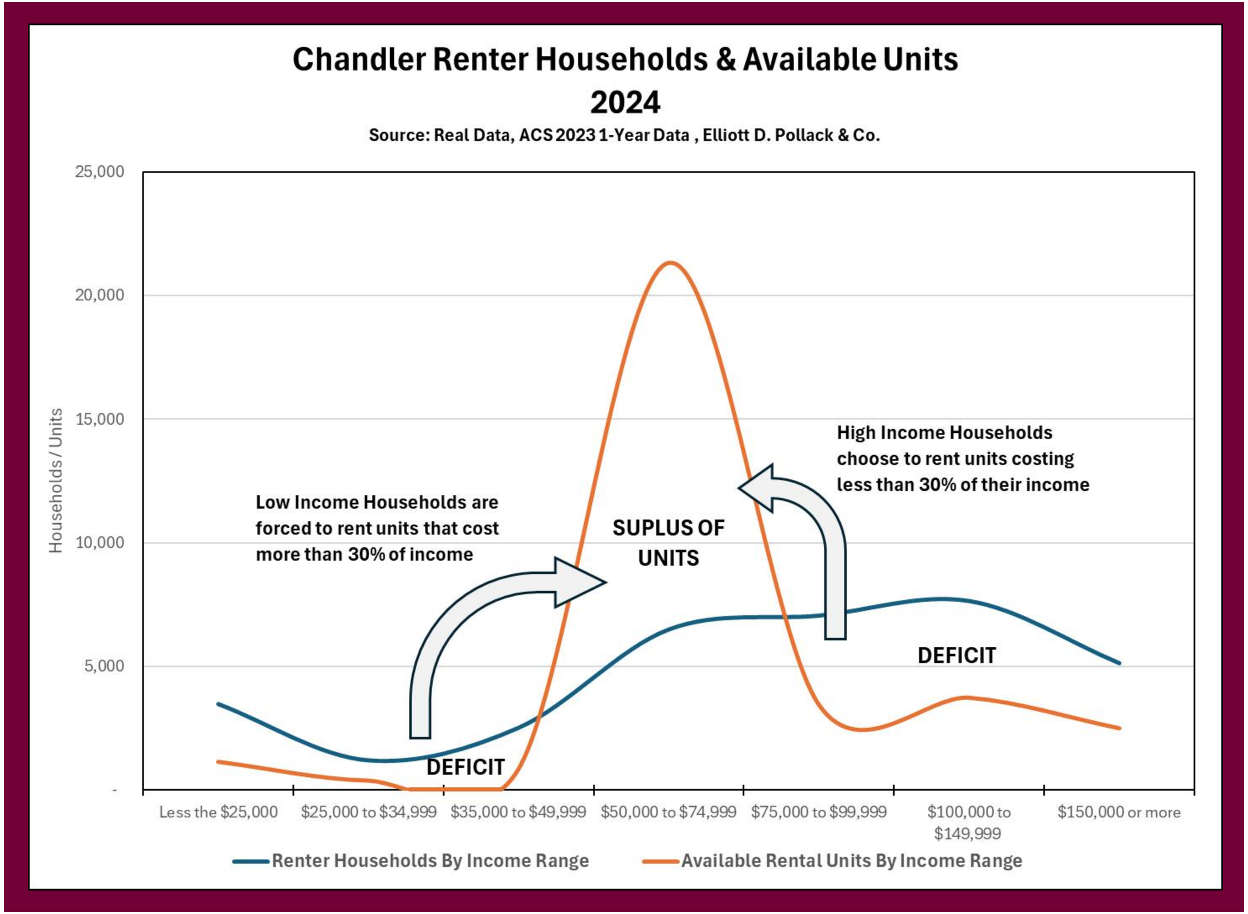
Median Price Chandler Resale and New Homes				
	Resales		New	
Year	Price	% Change	Price	% Change
2016	$255,000		$383,080	
2017	$275,000	7.8%	$404,340	5.5%
2018	$295,000	7.3%	$405,890	0.4%
2019	$311,109	5.5%	$428,896	5.7%
2020	$356,000	14.4%	$394,450	-8.0%
2021	$440,000	23.6%	$451,450	14.5%
2022	$508,250	15.5%	$595,280	31.9%
2023	$485,000	-4.6%	$550,859	-7.5%
2024	$515,000	6.2%	$779,386	41.5%

Chandler Housing Gap

Chandler Households Burdened by Housing Costs						
	Renters		Owners		Total	
	Count	%	Count	%	Count	%
Total Households	33,492		72,119		105,611	
Spending 30%+ on housing	**14,555**	**43.5%**	**12,313**	**17.1%**	**26,868**	**25.4%**
Spending 50%+ on housing	5,840	17.4%	5,358	7.4%	11,198	10.6%

Renter Gap

38% of renter households earn more than $100,000



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A household earning the City median income can afford a $366,000 home with a 10% down payment.

Affordable Housing Payment Estimator City of Chandler	
	Calculation
House value	$366,000
Down payment	10%
Down payment	$36,600
Mortgage amount	$329,400
Interest rate	7.0%
Loan term in years	30
% of income devoted to mortgage payment	30.0%
Monthly loan payment (P & I)	$2,192
Monthly property tax, insurance, PMI	$442
Total monthly payment	$2,634
Yearly income required	**$105,360**

Sources: EDPCo, Freddie Mac

Targeted Housing Strategy

Low & Moderate-Income Households earning less than $50,000 per year.

Workforce Households:

- Market-rate renter housing to address the tight market for renters earning between $50,000 and $75,000 (affordable rent $1,125 to $1,725).
- Homeownership opportunities directed at workforce households earning between $75,000 to $100,000.

Tools for Affordable Housing Development

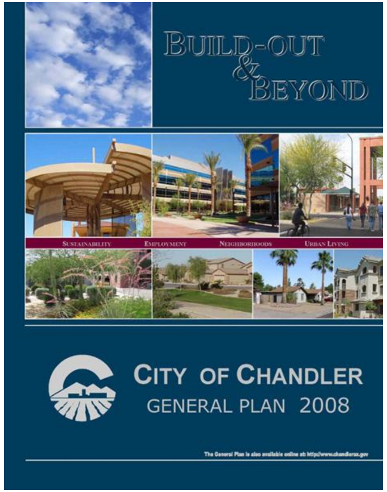
Affordable Housing Tools	
Costs of Development	**Tools By Cost Element**
Land Costs 15%-20% of total costs	Community Land Trust Use of City-owned land Density bonuses Voluntary Inclusionary Zoning Policy Zoning/General Plan policies GPLET Housing Trust Fund
Soft Costs 15%-20% of total costs (Design, Entitlement, Permits)	Waiver of permit fees Waiver/reimbursement of impact fees Expedited review of plans Flexible design standards Streamlining of development requirements & processes
Hard Costs 60%-70% of total costs (Labor & Building Materials)	Waiver of construction sales tax Consistency in Building Codes Reduced parking requirements City assistance with infrastructure improvements Direct capital funding of development costs (Gap Financing) Partnerships with private developers & non-profits

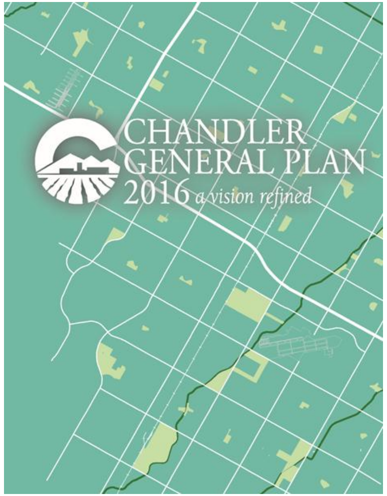
Infrastructure and Land Use Planning

Infrastructure and Land Use Planning

2008 General Plan

- Historically Land Use Planning lead Infrastructure Planning
- Plan the Land Use, then Plan the Infrastructure
- Potential Colorado River cuts not eminent
- Abundance of Reclaimed Water supply
- Water Allocation Policy





2016 General Plan

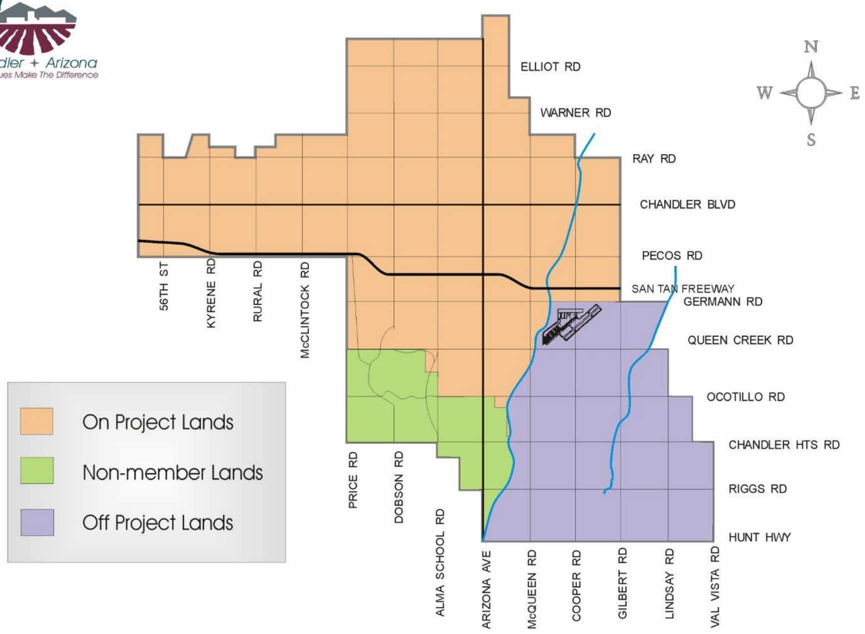
- Moving closer to Build-Out
- Reclaimed Water supply becoming a more valuable asset
- Urban Residential Density / Infill Area
- Update to Water Allocation Policy

Infrastructure and Land Use Planning

2026 General Plan Update

- Existing and Future Infrastructure capacities will influence update
- On-Project vs. Off-Project Land differences
- Colorado River cuts eminent
- Infill and Re-Development can’t always pay for off-site improvements – i.e.: install larger wastewater pipe 2-3 miles away
- Anticipate future CIP projects to accommodate Infill and Re-Development

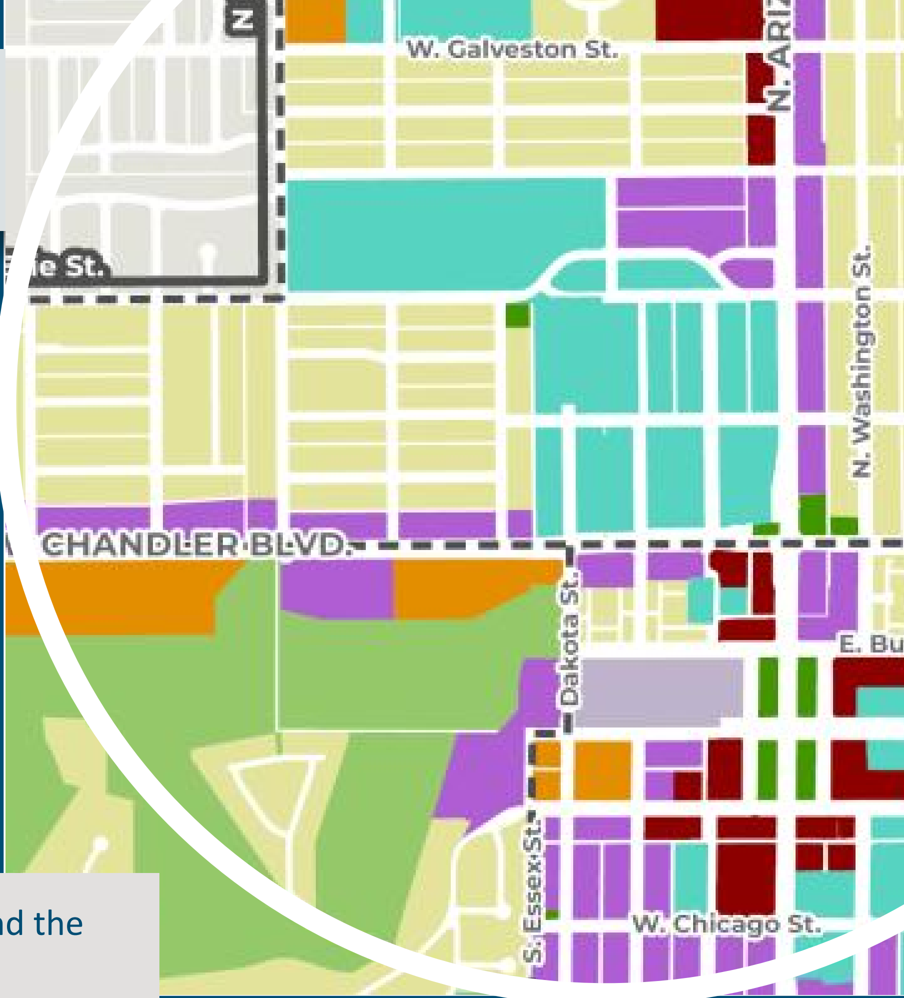
Chandler On Project, Off Project, and Nonmember Land Areas



Downtown Region Area Plan

Downtown Region Area Plan Update (DRAP)

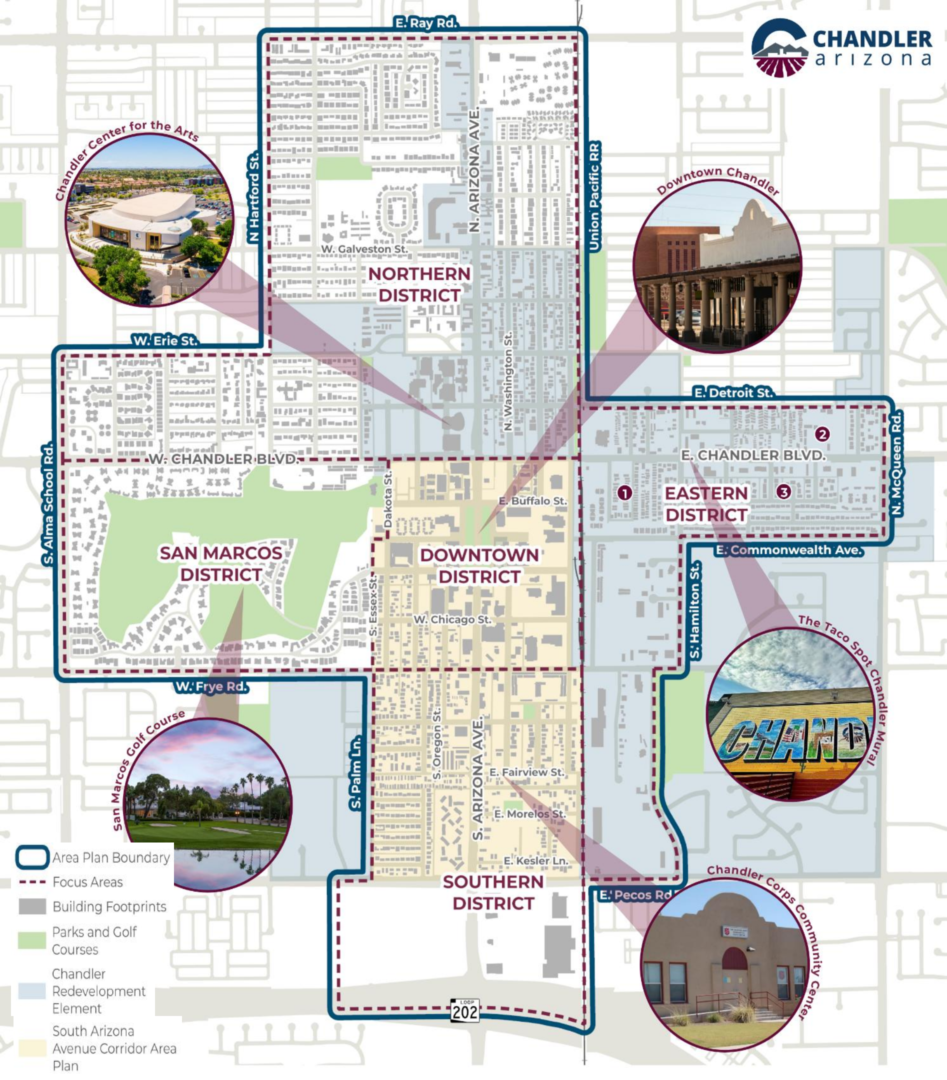
- Guide future development within the region that aligns with the community
- Create a vision for the future built environment
- Primary goals:
  - Adaptive reuse
  - Mixed-uses
  - Alley activation
  - Downtown gateways
  - Character area guidelines
  - Commerce routes



DRAP is consistent with recommendations from AzTAP and the Washington Street Alignment Study.

Downtown Region Area Plan Update (DRAP)

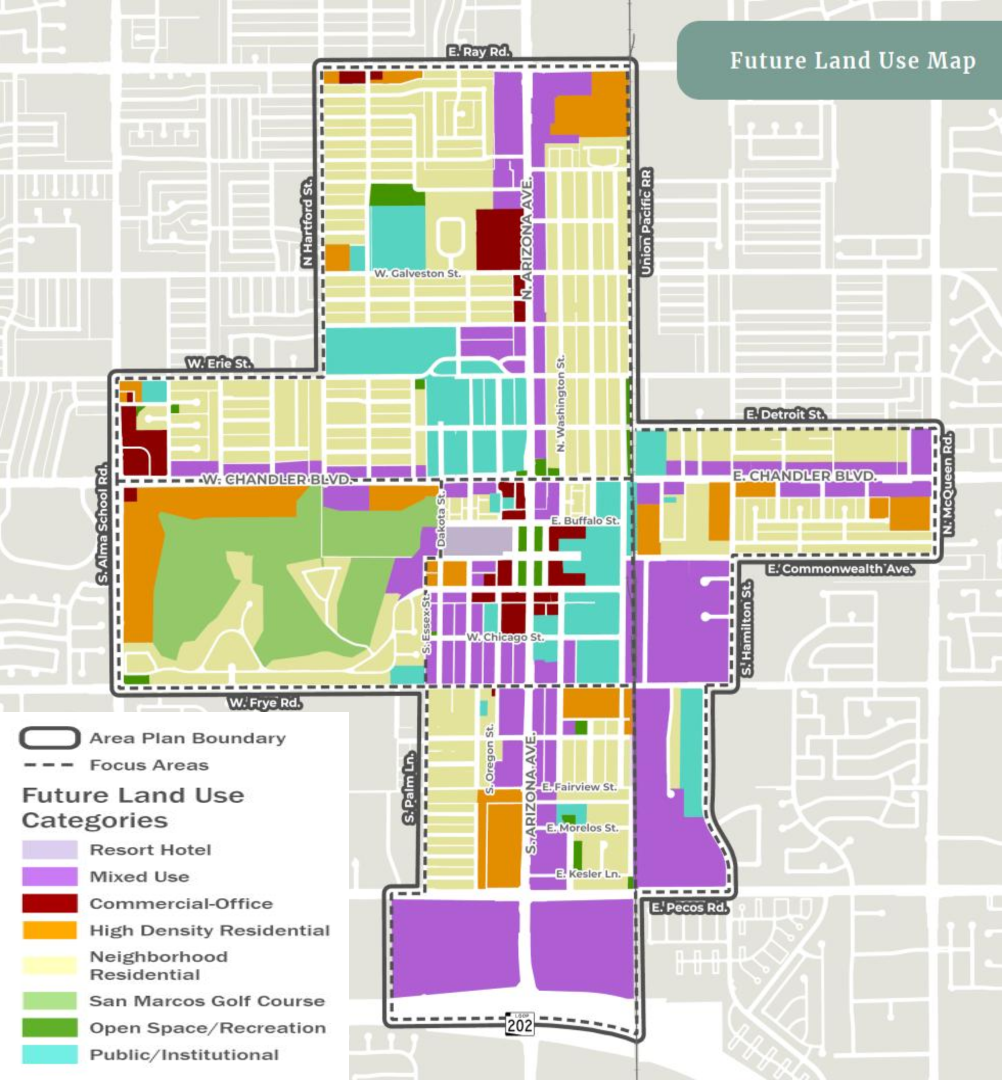
- Area:
  - Ray Rd to 202 & McQueen to Alma School Rd
  - 5 unique districts
- Replace & combine existing area plans:
  - Chandler Redevelopment Element (blue)
  - South AZ Ave Corridor Area Plan (yellow)
- Expand area from prior plans to add "gateways":
  - San Marcos District
  - Arizona Ave north of Chandler Blvd
  - Chandler Blvd east of Arizona Ave
  - AZ Ave from 202 north to Pecos Rd



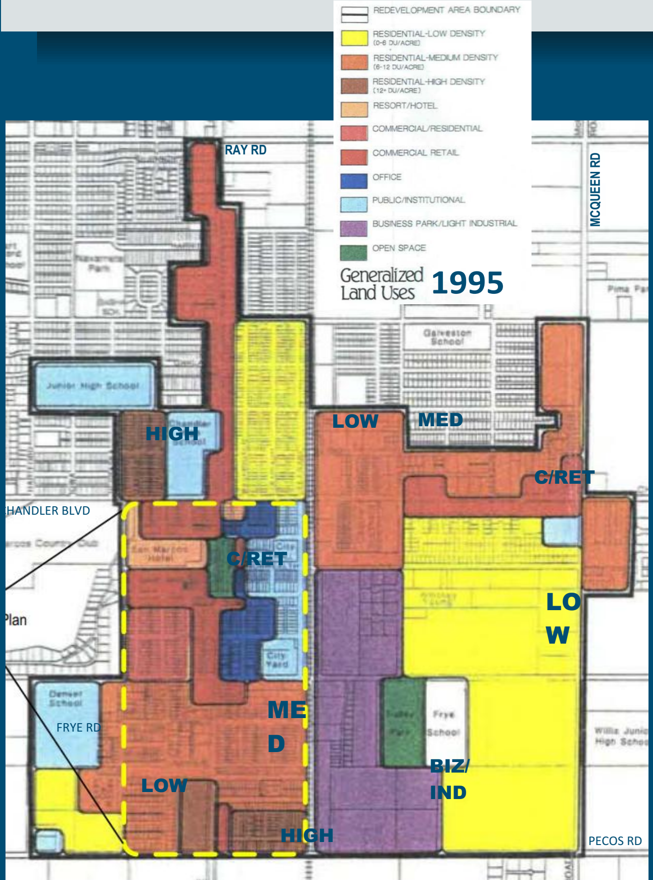
DRAP Future Land Use Map

- Housing Land Uses
  - Neighborhood Residential
  - Mixed Use: commercial / office / residential *
  - High Density Residential
- Key Benefits:
  - Support development of more housing
  - Allow redevelopment & adaptive reuse
  - Greater flexibility & creativity

* Approvals will consider design, water & sewer demand, traffic & parking impact & neighborhood compatibility

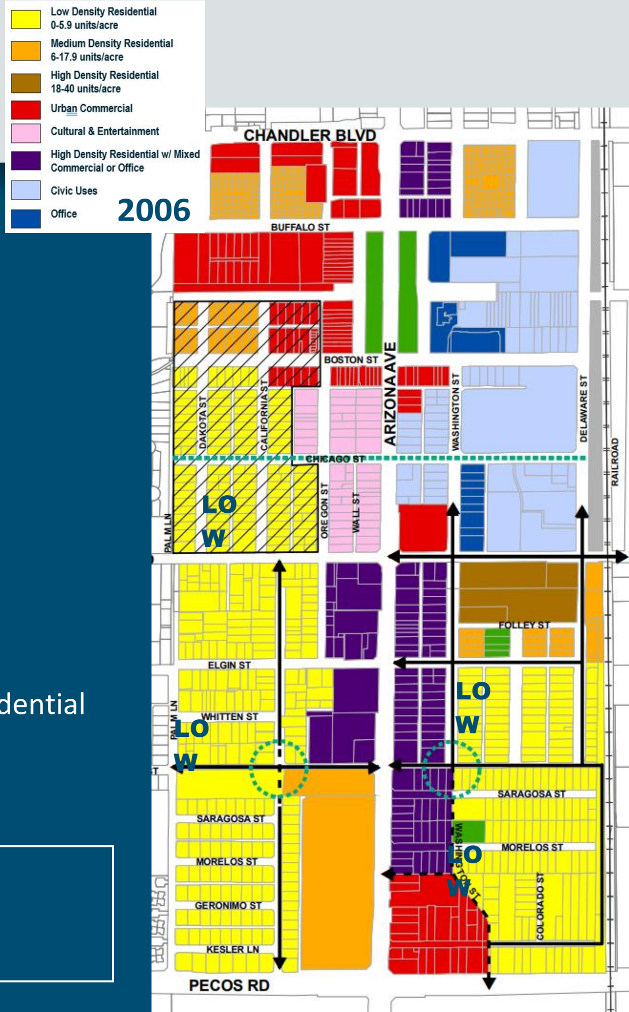


1995 & 2006 Housing Land Uses

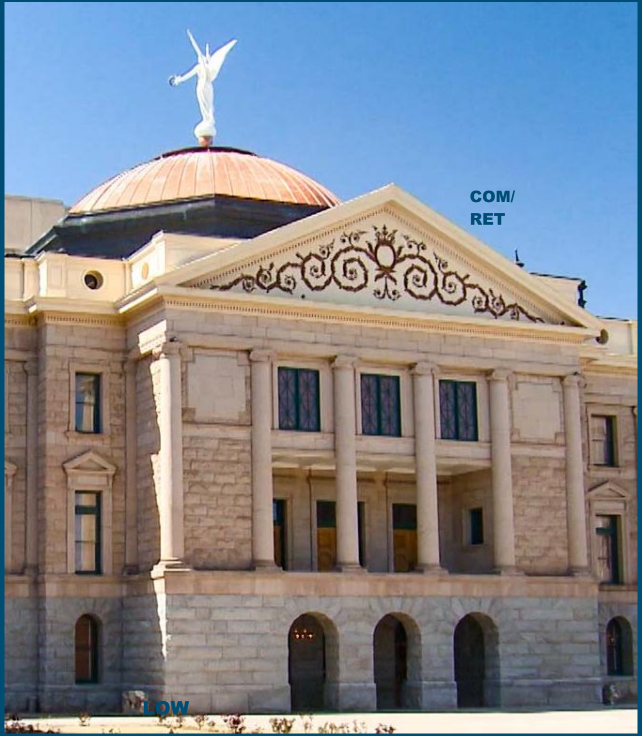


- 1995 Redevelopment Element
  - Medium & High Density Residential
  - Low-Density Residential
  - Commercial / Residential
- 2006 SAZACAP (downtown core)
  - Medium & High Density Residential
  - Low Density Residential
  - Mixed uses (High Density Residential / Commercial / Office)

Largely, development under these plans did not occur as anticipated



Upcoming State Mandates Related to Housing

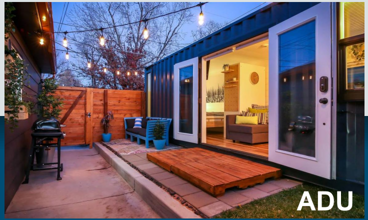


- HB 2720 - Accessory Dwelling Units (ADU)
  - 2 ADUs allowed on single family lots by right
  - A 3rd ADU allowed on 1+ acre lots if rented as 'affordable'
  - Effective Dec 9, 2024
- HB 2721 – Middle Housing
  - Duplexes, triplexes, fourplexes & townhomes allowed by right on single-family lots within 1 mile of central business district
  - Chandler will apply this to a larger area than mandated
  - Effective Jan 1, 2025
- HB 1529 – Preapproved Design
  - Requires standard preapproved housing designs
  - Includes single-family homes, duplexes, triplexes & ADUs
  - Effective July 1, 2026 & Jan 1, 2027

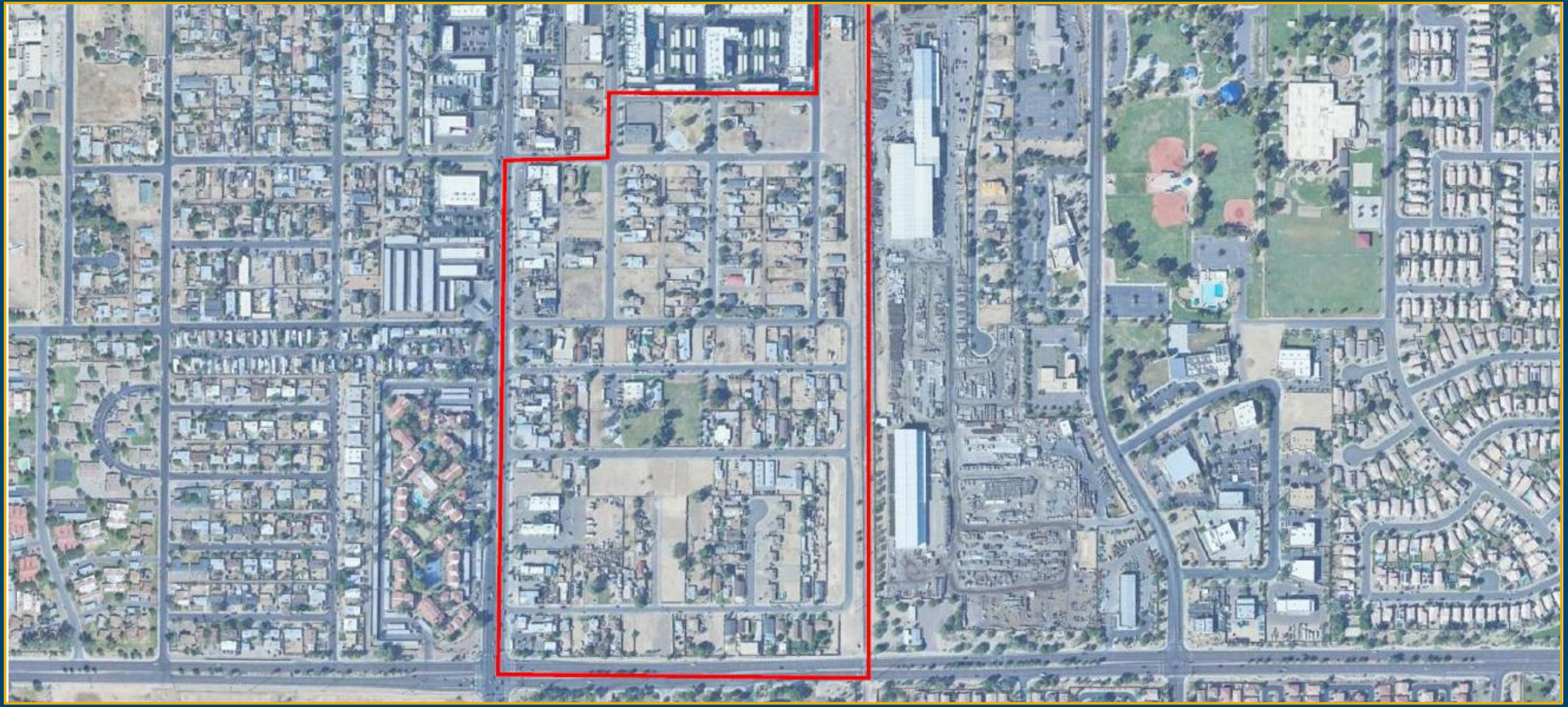
A Housing 'Infusion'

Zoning changes to support DRAP housing:

- More areas zoned for housing
- ADUs allowed by right
- Middle housing types allowed by right
- Pre-approved plans to expedite approvals



Washington Street Area Vision



Development to the South

- Smaller lot development
- Adaptive Reuse
- Neighborhood uses
- Use of alleys

South AZ Corridor Study –
- ➢ High & medium density residential development.
- ➢ Assemblage of small parcels.
- ➢ Revision of neighborhood streets to facilitate traffic for new growth.

2023 Washington Street Alignment – Lokahi

Research 3 options for the re-alignment of Washington Street

Community Input

- 100% consensus opening to Pecos Rd
- Allow for neighborhood traffic circulation
- Right only lane on Fairview Avenue
- Traffic calming
- Minimize on-street parking from businesses on Arizona Ave

Washington Street Alignment _ Stakeholder Meetings Feedback

Stakeholder Meetings

- November 2021 – Overall Neighborhood Meeting – Kickoff
- January 2023 – Southside Village Reunion at Harris Park
- August 2025 – Washington Street Alignment Update

ULI AZ TAP

- April 2022 – ULI AZ Tap Meeting Stakeholder Meeting (Harris Park)
- May 2022 – Panel Day
- Individual Stakeholder interviews chosen by neighborhood

Over 72 residents attending the various meetings with community leaders assisting with communication on all meetings

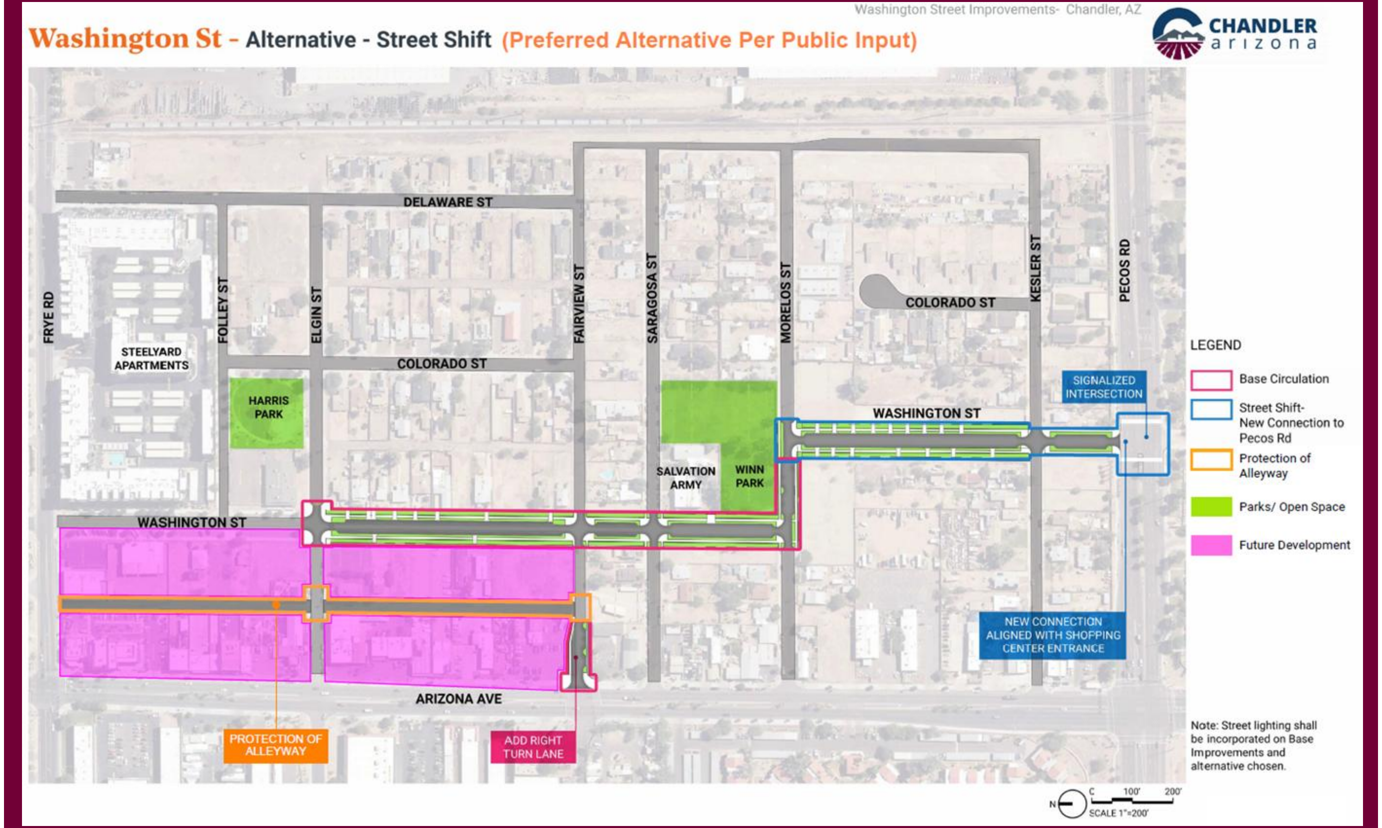
Washington Street Meeting

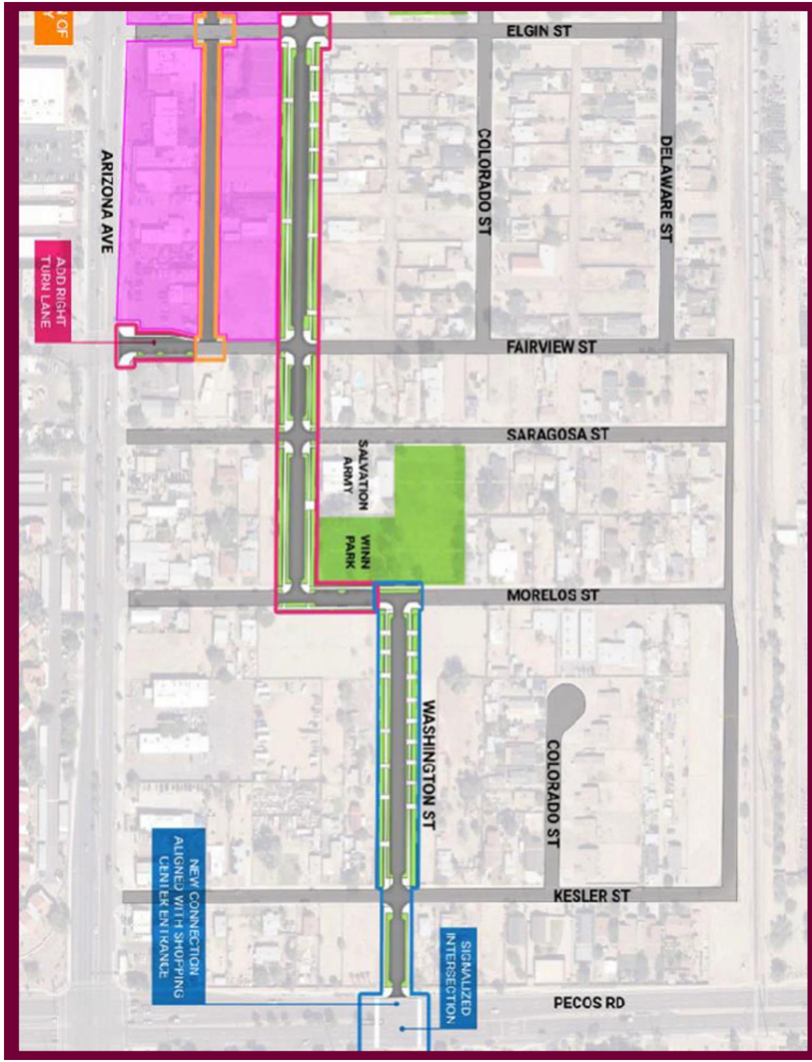
- August 2023 - Meeting with Southside Village Stakeholder Meeting
- November 2023 –Washington Street Kick Off Meeting (Community Input Meeting Mt. Olive with Southside Village Stakeholder Meeting)
- December 2023 – Salvation Army Stakeholder Meeting
- March 2024 – Southside Village Stakeholder Meeting
- January 2024 – Light and Life Church Stakeholder Meeting
- June 2024 – Salvation Army Leadership Board Meeting
- August 2024 –Southside Village Stakeholder Meeting

Downtown Region Area

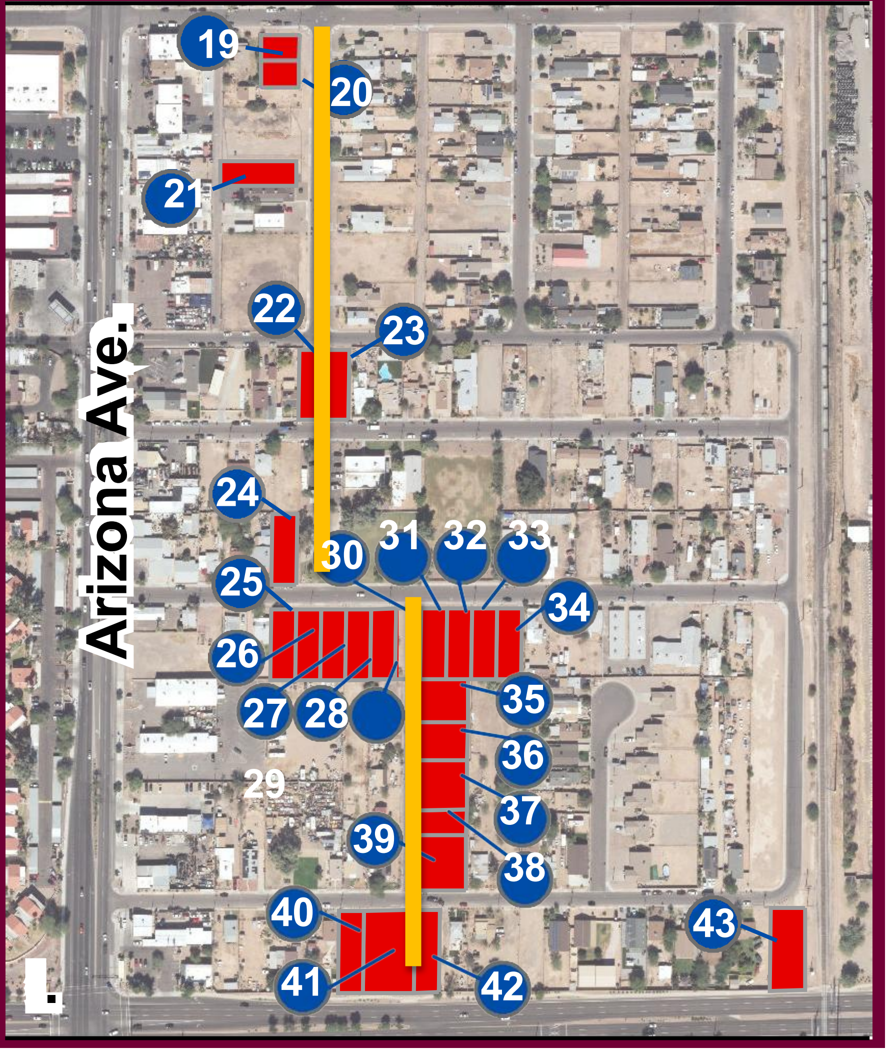
- August 2024 – Multiple meetings throughout the month

Preferred Option





ELGIN ST
ARIZONA AVE
COLORADO ST
DELAWARE ST
ADD RIGHT TURN LANE
FAIRVIEW ST
SARAGOSA ST
SALVATION ARMY
WINN PARK
MORELOS ST
WASHINGTON ST
COLORADO ST
KESLER ST
NEW CONNECTION ALIGNED WITH SHOPPING CENTER ENTRANCE
SIGNALIZED INTERSECTION
PECOS RD



Arizona Ave.
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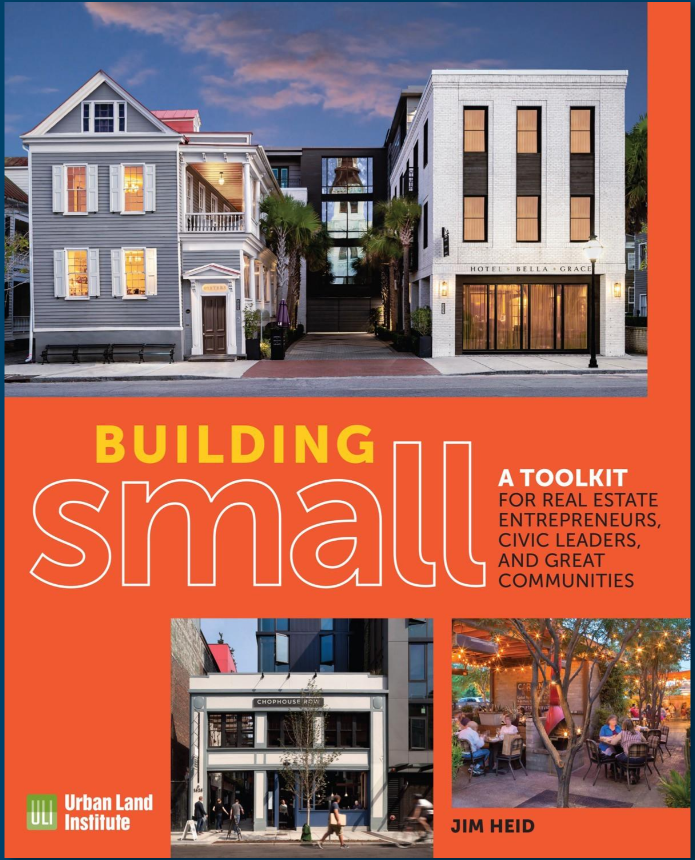
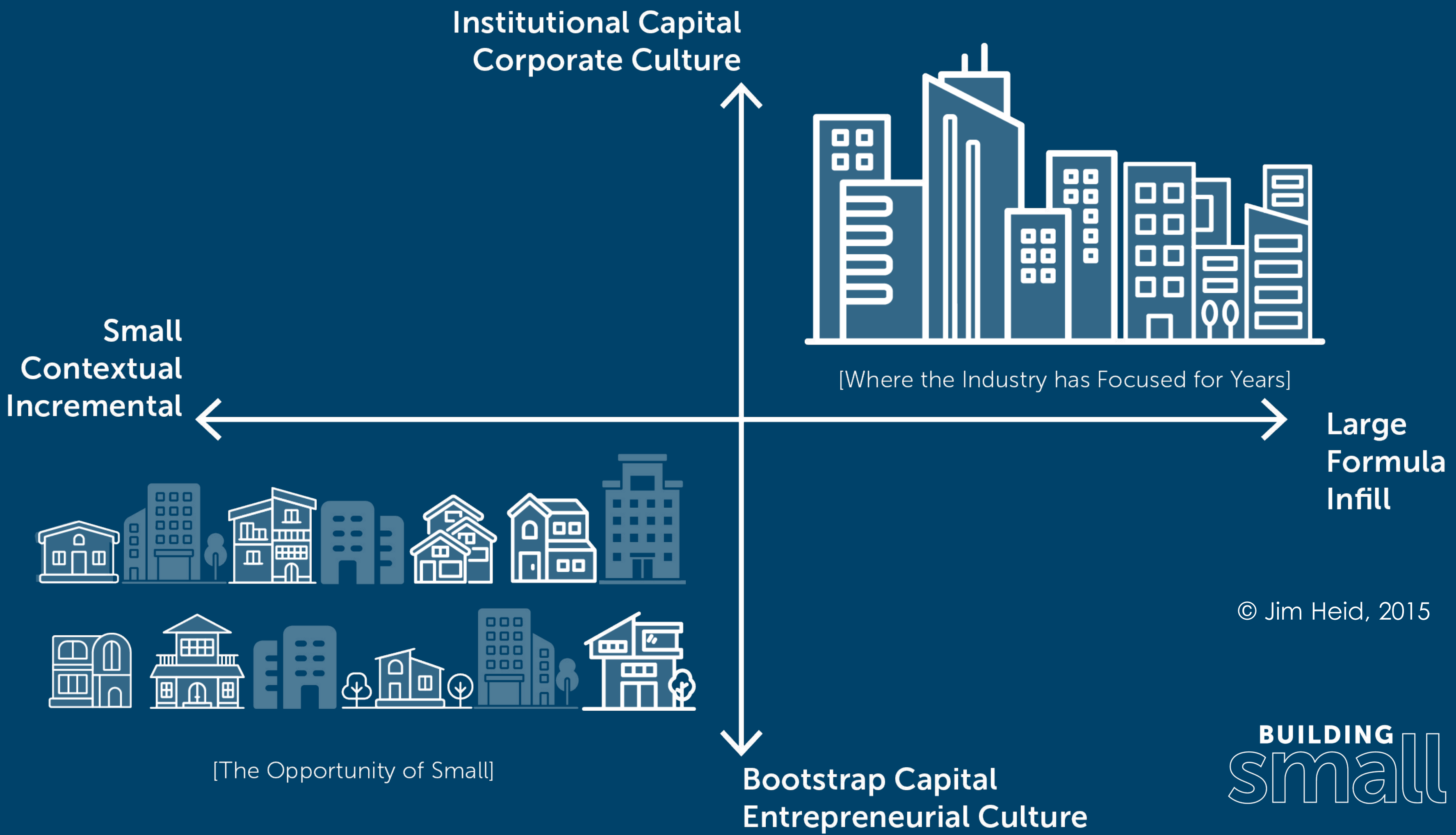
Small Development Housing Product Opportunities



"Building Small brilliantly captures all the moving parts of the development process that need to be coordinated, changed and re_tooled to turn loose the entrepreneurial spirit necessary for great communities to grow."

Tom Murphy, former three term Mayor of


Institutional Capital
Corporate Culture
Small
Contextual
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[Where the Industry has Focused for Years]
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© Jim Heid, 2015
[The Opportunity of Small]
Bootstrap Capital
Entrepreneurial Culture
BUILDING small

Institutional Capital
Corporate Culture

[Where the Industry has Focused for Years]

Small
Contextual
Incremental

Large
Formula
Infill

[The Opportunity of Small]

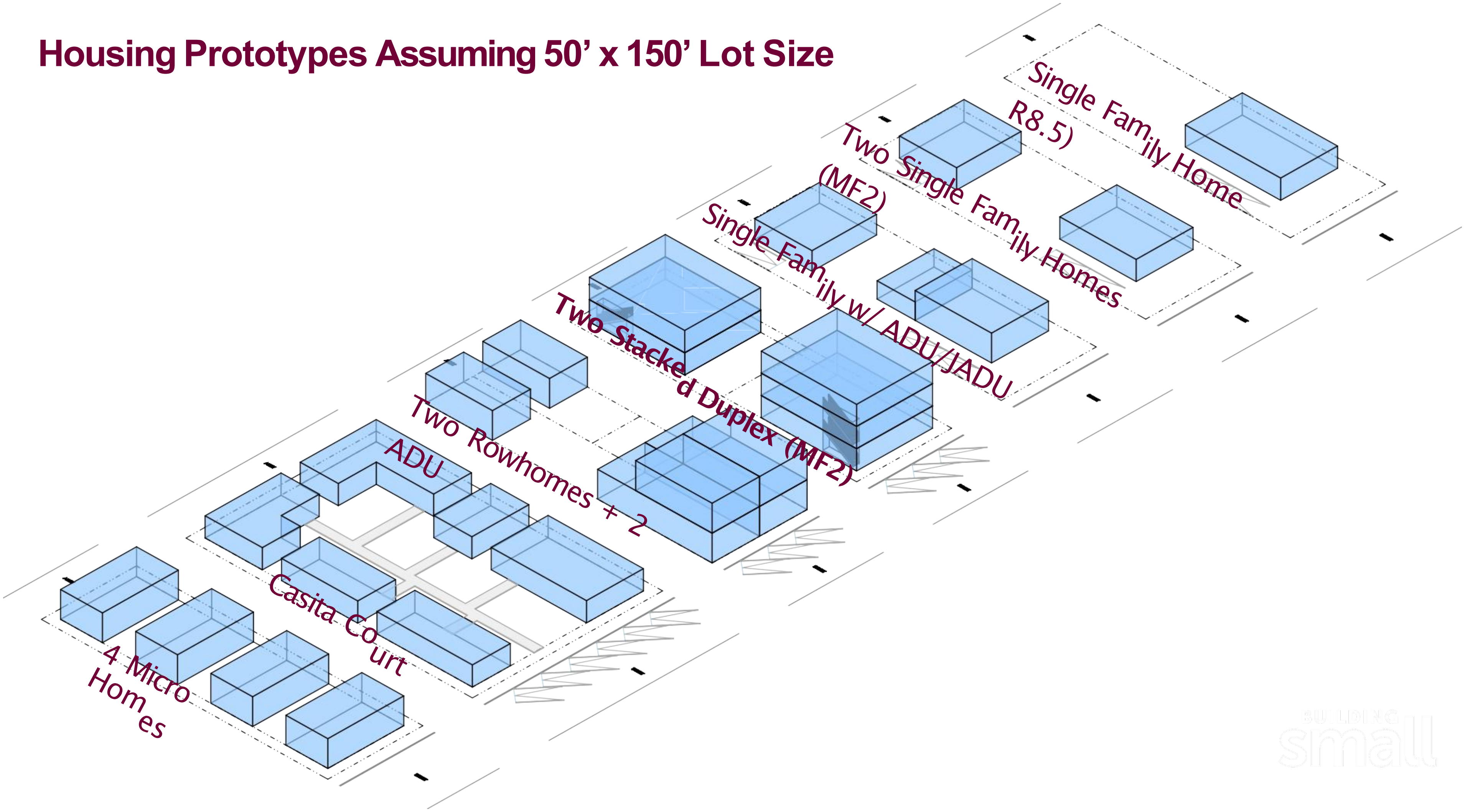
Bootstrap Capital
Entrepreneurial Culture

BUILDING small

As of 2022, 19% of all housing units produced in CA is an ADU

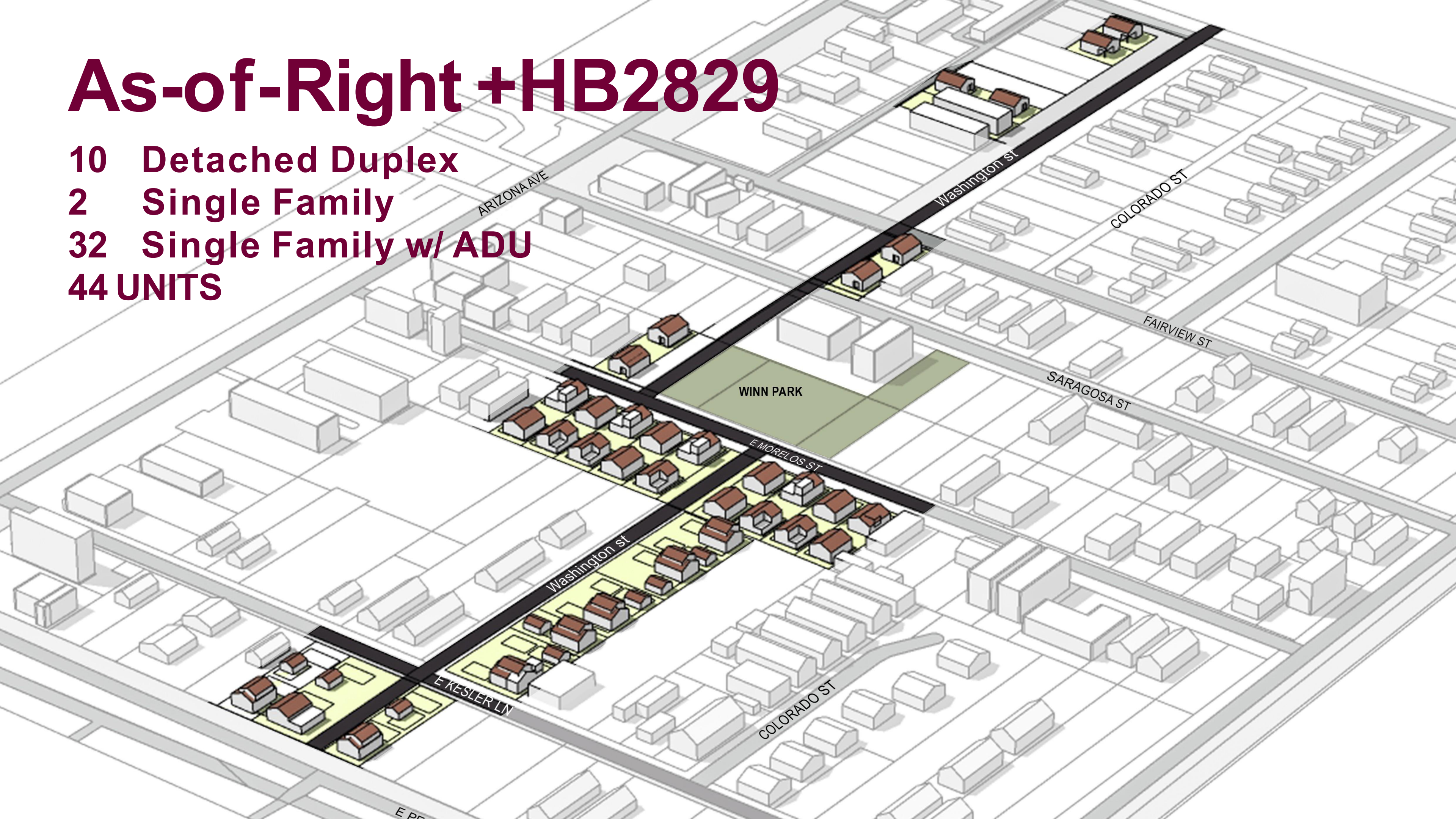
https://cayimby.org/reports/california-adu-reform-a-retrospective

Housing Prototypes Assuming 50’ x 150’ Lot Size



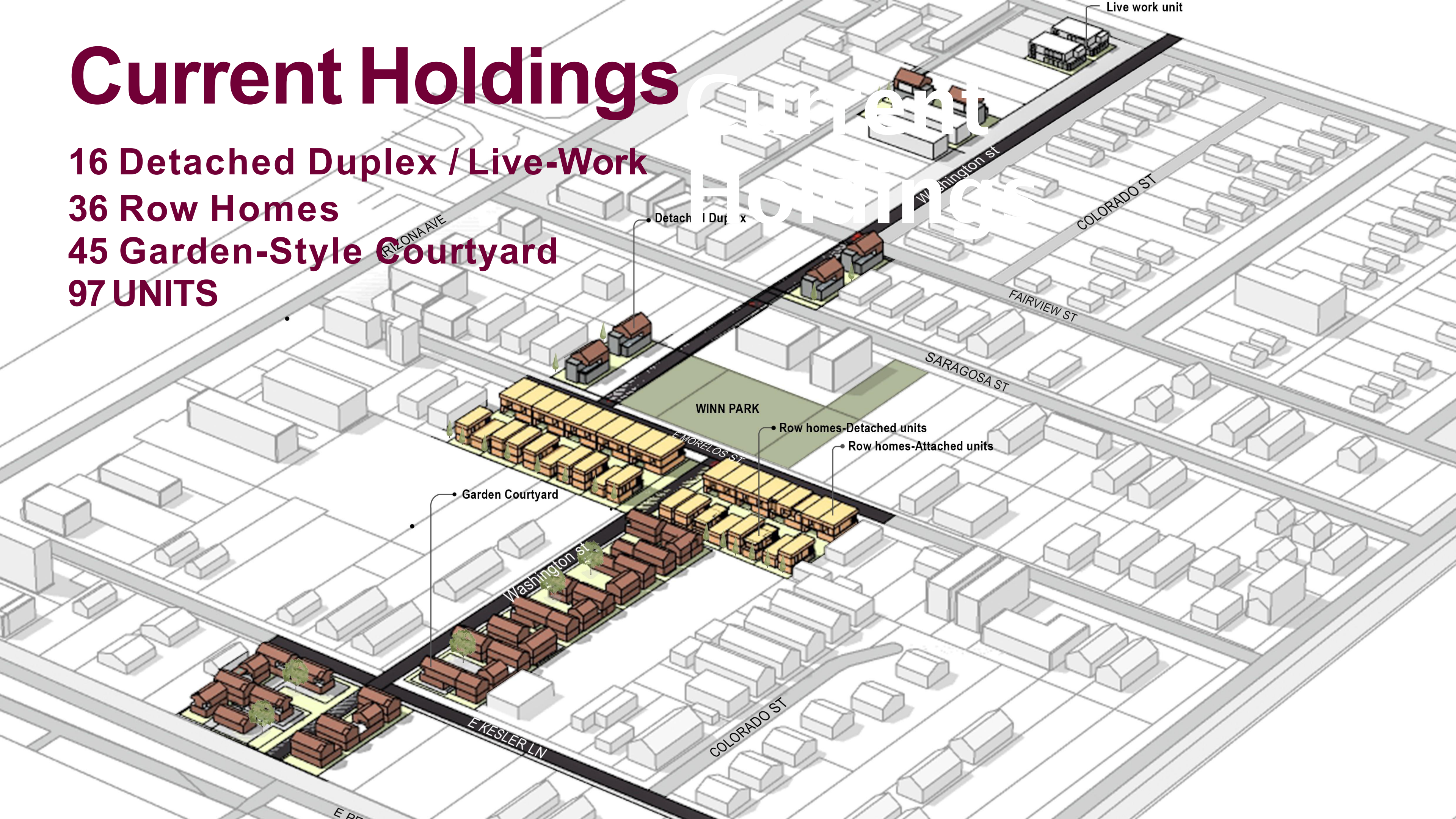
As-of-Right +HB2829

10 Detached Duplex
2 Single Family
32 Single Family w/ ADU
44 UNITS



Current Holdings

16 Detached Duplex / Live-Work
36 Row Homes
45 Garden-Style Courtyard
97 UNITS



Closing the Gap for MMH

GIVENS (out of your control)	LEVERS (things you can influence)
Construction Costs	Land Cost
	Development Requirements
A/E Services	Permitting Speed/Certainty
Interest Rates	Financing Costs
Developer Fees	Impact Fees

BUILD ON THIS

Understanding Development Risk

BEING A REAL ESTATE DEVELOPER ultimately requires the ability to be comfortable with and the ability to manage *risk*.

Five primary types of risk are associated with real estate development that will affect the success of a project. Understanding, planning for, and adapting to these risks is how developers create value. How you manage these risks affects your brand—and ultimately your ability to attract new projects and investors. These risks also have a significant role in the cost of capital—a key consideration in bringing a project vision to successful realization. The five kinds of risk are as follows:

- **ENTITLEMENT RISK:** Can you get the project approved as envisioned? How much can actually be built on the site (i.e., you buy it thinking you can build 50 units, but because of neighborhood push back and discretionary approval concessions you can build only 30 units). This will ultimately affect the project yield, which could affect product pricing. The other part of entitlement risk is what public benefits might be asked of the developer to attain project approval. Where the number of units are reduced, but the "ask" for public benefits is high, you risk having a project that may not make financial sense—or has to sell at such a high price it no longer meets the market.
- **DEVELOPMENT RISK:** Can the project get delivered as proposed, on time and on budget? This is where the track record of the developer matters most. If you are new to the game, lenders, investors, and even planning agencies may worry that you, as an inexperienced developer, will not be able to deliver on your promises. Partnering with an experienced and aligned development partner can provide valuable learning opportunities while making sure you succeed. The old adage says, "50 percent of a successful project is better than 100 percent of a project that goes nowhere."
- **CONSTRUCTION RISK:** Will construction costs hold as budgeted? If the project is an adaptive use, will unknown construction challenges emerge once you start? Are you prepared for fire, theft, or some other externality that could change the construction outcome? Are there flaws in the design or construction that will come back to haunt you during the project's defect liability statute of limitations? Understanding these risks and obtaining the right partners—an experienced architect, contractor, or construction manager—helps reduce risk. Making sure you spend the money, and read the fine print for proper insurance policies (course of construction and defect liability), helps make sure the unexpected does not ruin you.
- **FINANCING RISK:** This can take a variety of forms, from your ability to attract investment capital to your project, to your project's exposure to interest rate fluctuations. Even if you protect yourself by getting a fixed rate on a construction or mini-perm loan, keep in mind that most lenders require personal guarantees: a deficiency guarantee in case there is a shortfall in the ability to repay the loan and/or a completion guarantee that assures the project will get completed even if the loan is not enough to cover the work. These are not risks you can pass off easily through a construction contract or other instrument.
- **MARKET RISK:** After all is said and done, will the market deliver the tenants or sales as predicted and at the price you assumed in your pro forma? Are there externalities that you could not foresee—such as rapid rise in interest rates that dampens for-sale demand or requires you to potentially reduce the price the finished product? Having flexibility in your plan (being able to rent residential units instead of selling them, or looking for "future-proofing" commercial space design to allow changing uses) provides some resilience while helping reduce this risk.

Ultimately good development is about Managing Risk.

To the extent Chandler can partner with Developers to reduce entitlement and financial risk the better it will attract the kind of development it wants.

Why Chandler?

Why Chandler?	Why Not Chandler?
‘Plug and’ Play Infrastructure	Surprise Offsite Costs
Accessible, Collaborative Staff	Siloed Departments
City Led Community Engagement	Go It Alone Neighbor Battles
Clear, Transparent Fees	Hidden Costs and Accruing Fees
Streamlined Permit Requirements	Long Confusing Approval Process
Financial Tools to Support Delivery	No Financial Support

Key Recommendations

- A complete solution
- Prime the pump with infrastructure
- Be ‘open for business‘
- Thought partner with Small Developers
- Share the risk for shared gain

How This Approach Reduces Gentrification Risk

- **Gradual Change:** Incremental development allows neighborhoods to evolve slowly, preventing sudden demographic shifts
- **Affordable Options:** Smaller projects typically create more diverse price points, maintaining housing accessibility
- **Local Ownership:** Small-scale development often involves local developers or existing residents who understand community needs
- **Economic Integration:** Mixed-income housing prevents the displacement of existing residents
- **Community Voice:** Smaller projects are more responsive to resident input and neighborhood planning
- **Capturing & Preserving Uniqueness:**
  - **Architectural Harmony:** Small infill projects can complement existing building styles and scale
  - **Local Character:** Preserves walkability, street life, safety, and neighborhood gathering spaces
  - **Cultural Continuity:** Supports and incubates local businesses and community institutions that define neighborhood identity
  - **Historic Preservation:** Adaptive reuse of existing structures maintains neighborhood heritage

Three Potential Delivery Models

Public-Private Partnerships

City-owned land and vacant lots developed through public-private partnerships or community land trusts

Purpose: Maintain affordability through Income Qualifications, Deed Restriction, or Community Land Trust

Potential Products: Duplex, triplex, and cottage court on vacant lots along Morales and Washington Streets

Existing Residents

Current residents and their families adding units, renovating, or developing accessory dwelling units (ADUs)

Purpose: Encourage existing residents to invest in their properties

Potential Products: Small single unit to be used for rental income or building on vacant land, microbusinesses

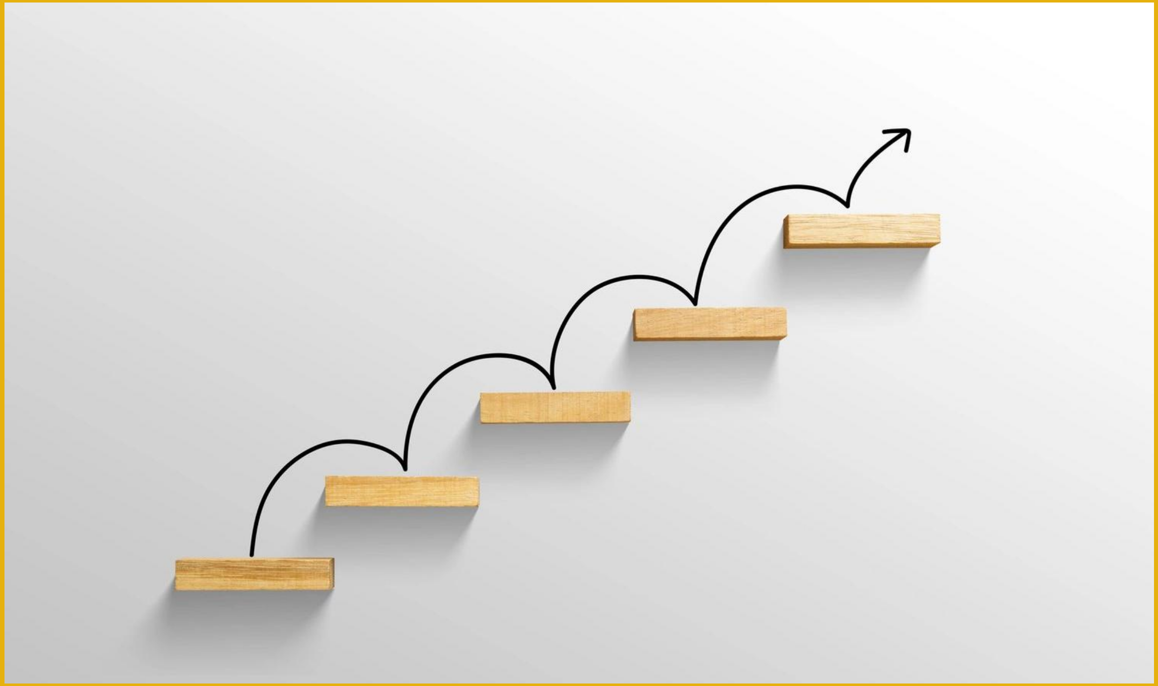
Small Developers

Local entrepreneurs and small -scale builders creating infill housing and mixed-use projects

Purpose: Attract development that is a compliment to the neighborhood

Potential Products: Duplex, triplex, cottage court and live-work spaces

Next Steps



Next Steps – Policy Actions

Council Adoption of Downtown Region Area Plan – Scheduled for September 2025

Completion of Comprehensive Housing Study – October 2025

Implementation of HB 2447 (Objective Design Standards) and HB 2721 (Middle Housing) by December 2025

Completion of General Plan Update - February 2026 (City Council); August 2026 (voter ratification)

Next Steps _ Strategies

- Continue neighborhoods communication and outreach
- Research Alternate Products/Materials
- Evaluate Community Land Trust Formation
- Identify RFP Elements for City Properties
- Receiving Capacity Analysis (General Plan)
- Continue Discussions with Salvation Army on Winn School Site
- Develop Building Models/Design Prototypes
- Utility Needs Assessment
- Public Housing Authority – Continued Redevelopment Planning
- Downtown Development Summit
- Annual Code Amendments(e.g. Zoning, Engineering, Pre-Approved Plans)

Questions?