



# Housing and what's next?

Sarah Darr and Charity Lee





# Outline for Tonight



- Affordable Housing 101
- Updates on on-going projects
- What's next?
  - Overview of available properties



# Housing Speak



- AMI – Area Median Income
- HUD - U.S. Department of Housing and Urban Development
- ADOH – AZ Department of Housing
- LIHTC – Low Income Housing Tax Credit



# Affordable Housing 101



What is “affordable housing”?

What in the world is the housing continuum?

....but how?



What do you think of when  
you hear the words  
“affordable housing?”



# What is “Affordable Housing”?

The generally accepted definition of affordability is for a household to pay **no more than 30 percent of annual income on housing and housing related expenses.**

(Source: U.S. Department of Housing and Urban Development)



# It's All Relative



*Because affordability is determined based  
on income and market prices,  
“solving” the issue is relative.*



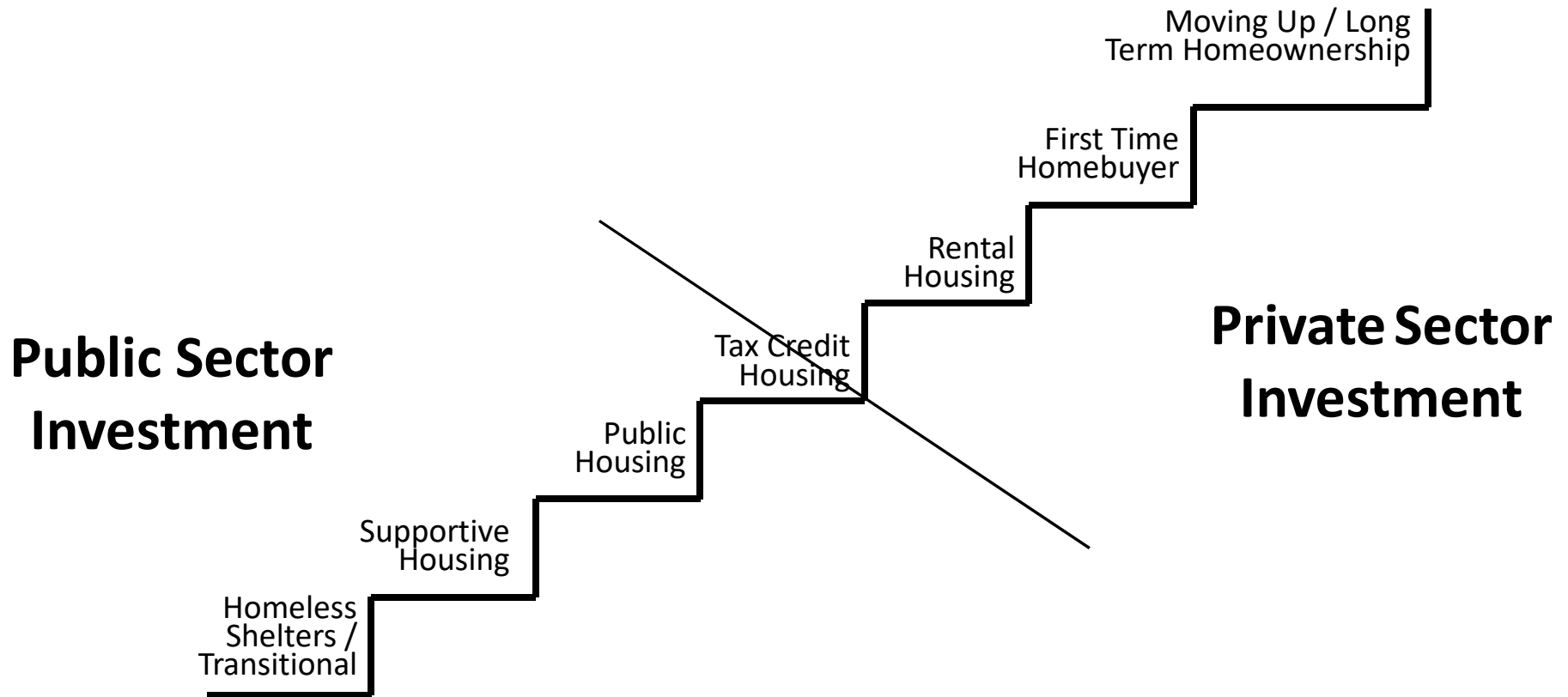
## But isn't all housing affordable if you make enough money?



- Housing that is affordable
  - Market based sale or rental price
- Affordable Housing
  - 2 Prong Test
    - *What are the housing costs?*
    - *Who is eligible to purchase or rent it?*
  - Subsidy or investment of some type exists



# Basic Housing Continuum





# Area Median Income (AMI) and Income Limits



## 2018 Area Median Income Limits for Flagstaff

| Household size | 30%      | 50%      | 60%      | 80%      | 100%     |
|----------------|----------|----------|----------|----------|----------|
| 1              | \$14,700 | \$24,500 | \$29,400 | \$39,200 | \$52,600 |
| 2              | \$16,800 | \$28,000 | \$33,600 | \$44,800 | \$60,100 |
| 3              | \$20,780 | \$31,500 | \$37,800 | \$50,400 | \$67,600 |
| 4              | \$25,100 | \$35,000 | \$42,000 | \$56,000 | \$75,100 |
| 5              | \$29,420 | \$37,800 | \$45,360 | \$60,500 | \$81,100 |
| 6              | \$33,740 | \$40,600 | \$48,720 | \$65,000 | \$87,100 |
| 7              | \$38,060 | \$43,400 | \$52,080 | \$69,450 | \$93,100 |
| 8              | \$42,380 | \$46,200 | \$55,440 | \$73,950 | \$99,100 |
|                |          |          |          |          |          |

Note: 30%, 50%, 80% and 100% income categories are provided by HUD. The 60% income category is provided by ADOH.

Why are most efforts focused on low-income households?



- Funding
- Funding
- Funding



Arizona  
Department  
of Housing



# Yes, but how?



## **Demand Side**

- Help make the existing housing stock affordable to the community
- Most often in the form of lowering the monthly cost to an assisted household

## **Supply Side**

- Aid by developing or rehabilitating units



# Rental Housing



- Rental programs are most often focused to lower-income households
  - 60% AMI and below (\$42,000 / 4 person household)
- College students are typically not eligible
- Largest local demand is for 1 and 2 bedroom units
  - Need is increasing with the aging population



# Ownership Housing

- Ownership programs are often focused on first-time homebuyers, but not always, depending on the funding source
- Both demand and supply tools
  - Demand tools are typically cheaper than supply
- Federal funding limited to 80% AMI and below (\$56,000 / 4 person household)
  - Local challenges



# Tax Credit 101



## Low Income Housing Tax Credits (LIHTC)

- Largest affordable rental housing funding source
- Built by private developers (can be non-profit)
- Nearly 800 units in Flagstaff serving 60% AMI and below
- Administered by Arizona Department of Housing
- Minimum affordability time period – 15 years
- CoF has partnered in multiple complexes



# Project Updates





## Mobile Home Park Closure Assistance for Displaced Residents



Assistance funds to be provided to tenants of mobile home parks facing eviction due to park closure, with a goal of achieving housing permanency.

- \$84,562 in funding
- February 13 - RSOQ published
- March 1 - RSOQ due
- Review and interviews (if needed)
- May 7 - Scheduled for Council consideration

# Public Housing Natural Gas

Own and operate the  
natural gas systems in  
Siler and Brannen Homes



- Regular testing required
- Overseen by the Arizona Corporation Commission
- Brannen Homes 2/3 tested, no issues (weather delay)
- Pricing replacement and electric conversion



# Scattered Site Affordable Housing



## **Development Partner: Brinshore Development**

- 80 units on three sites
- Tax Credit funding awarded in July 2018
- 3 community meetings held in November 2018
- Met with Community Garden group and Flagstaff Arts Council
- Site plans to Council for approval in spring
- Groundbreaking in early summer
  
- Must be completed by December 2020



# What's next?



**TEAM FLAGSTAFF**  
WE MAKE THE CITY BETTER

A central graphic with a dark blue background. At the top, the text 'What's next?' is written in a large, white, serif font. Below the text, there is a faint, semi-transparent image of a street scene. At the bottom left of the graphic is the official seal of the City of Flagstaff, Arizona, which includes a mountain, a river, and a flag, with the text 'CITY OF FLAGSTAFF ARIZONA' and 'ESTABLISHED 1882'. At the bottom right is the 'TEAM FLAGSTAFF' logo, which consists of a white sunburst design above the text 'TEAM FLAGSTAFF' and 'WE MAKE THE CITY BETTER'.



# Council Goal



*Affordable Housing - Support development and increase the inventory of public and private affordable housing for renters and homeowners throughout the community.*



# What's next?



Staff recommends a long-term plan and path to achieve Council's goal in a more meaningful way

Prior planning and positioning is lining up with external opportunities

HUD is encouraging a different direction for some historical programs



# HUD Trends



- Capital needs of...public housing inventory have outpaced Federal funding for much of the past decade
- 2010 conservative estimate of capital backlog of almost \$26 billion with annual growth of about \$3.5 billion

**New term: *Repositioning public housing***



U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-5000

GENERAL DEPUTY ASSISTANT SECRETARY  
FOR PUBLIC AND INDIAN HOUSING

November 13, 2018

Dear Executive Director,

As you know, the capital needs of our nation's public housing inventory has outpaced Federal funding for much of the past decade. In 2010, HUD conservatively estimated the public housing capital needs backlog at almost \$26 billion, and we believe this figure continues to grow at around \$3.5 billion every year. The public housing industry also faces barriers in accessing other forms of affordable housing financing commonly available in the private market. Some PHAs are understandably struggling to preserve the quality of these important affordable housing resources which serve 1 million families nationwide.

Under the leadership of Secretary Carson, the Office of Public and Indian Housing (PIH) is focusing on repositioning public housing by providing PHAs with additional flexibilities, allowing communities to develop locally appropriate strategies to preserve affordable housing. The Department set a goal to reposition 105,000 public housing units to a more sustainable platform by September 30, 2019 in its FY2019 Annual Performance Plan.

The success of the [Rental Assistance Demonstration \(RAD\)](#) program, new flexibilities for [Section 18 demolition and disposition](#), together with forthcoming guidance on [Voluntary Conversions](#) and the [Retention of Assets after a Declaration of Trust \(DOT\)](#) release will help us reach this goal together and set public housing properties on a more financially sustainable path.

Within PIH we are taking several steps to achieve this goal. Over the past few months many of our Office Directors have been highlighting repositioning tools at industry conferences. We are also building capacity in our Field Offices and the Special Application Center, focusing staff on this priority, and developing additional guidance and training materials to help you understand your repositioning options. As we make more resources available, we'll make them available on the [PIH One-Stop Tool for PHAs \(POST\)](#).

Over the next few months your local Public Housing Field Office may contact you to explore repositioning possibilities in your inventory. Our goal in reaching out to you is to make sure you and your staff are aware of the repositioning strategies available and to provide technical assistance where needed. We look forward to helping facilitate locally-driven solutions to your unique set of challenges and opportunities.

If you are interested in learning more about this goal and the repositioning tools available, please contact your local Public Housing Field Office.

Thank you for your continued partnership and assistance in this important effort to ensure that these incredibly important and limited affordable housing resources in your communities are preserved to house future generations.

Many thanks,

Dominique Blom



# Repositioning Public Housing

## November 14, 2018 HUD letter continued

- Providing public housing authorities with additional flexibilities, allowing communities to develop locally appropriate strategies to preserve affordable housing
- HUD goal of repositioning 105,000 public housing units by end of September 2019

***Deep breath***



# Declaration of Trust



- All Public Housing in Flagstaff and associated property is owned by the City of Flagstaff
- Restricted by Declarations of Trust that limit its use to affordable housing

**Declaration of Trust**  
(Public Housing Modernization Grant Projects)

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

OMB No. 2577-0270  
exp. 09/30/2013

**Whereas**, (1, see instructions) City of Flagstaff Housing Authority  
(herein called the Public Housing Agency (PHA), a public body corporate and politic, duly created and organized pursuant to and in accordance with the provisions of the laws of the (2) City of Flagstaff, and the United States of America, Secretary of Housing and Urban Development (herein called HUD) pursuant to the United States Housing Act of 1937 (42 U.S.C. 1437, et seq.) and the Department of Housing and Urban Development Act (5 U.S.C. 624) entered into a certain contract with the effective date as of (mm/dd/yyyy) (3) 03/15/1996, (herein called the Annual Contributions Contract) and a certain Modernization Project Grant Amendment to the Annual Contributions Contract with the effective date as of (mm/dd/yyyy) (4) 03/12/2012, (herein called the Modernization Grant Amendment) providing for a grant to be made by HUD to assist the PHA in modernizing lower income housing project(s); and

**Whereas**, as of the date of the execution of this Declaration of Trust, the Modernization Grant Amendment and the Annual Contributions Contract cover certain individual lower income housing projects located in: (5) City of Flagstaff, County of Coconino, State of Arizona which will provide approximately (6) 127 dwelling units; and which lower income housing projects are known as Modernization Project No. (7) AZ20P00650112 and individual projects as follows:  
Project No. (8) AZ20P006082 with approximately 47 dwelling units,  
Project No. (8) AZ20P006083 with approximately 40 dwelling units, and  
Project No. (8) AZ20P006084 with approximately 40 dwelling units; and

**Whereas**, the modernization of each Project will have been financed with grant assistance provided by HUD.

**Now Therefore**, to assure HUD of the performance by the PHA of the covenants contained in the Modernization Grant Amendment and the Annual Contributions Contract, the PHA does hereby acknowledge and declare that it is possessed of and holds in trust for the benefit of HUD, for the purposes herein stated, the following described real property situated in: (9)

City of Flagstaff, County of Coconino, State of Arizona

**To Wit:** (Insert legal description for each individual project. )(10)

See Exhibit A, attached, for Real Property Legal Description.

and all buildings and fixtures erected or to be erected thereon or appurtenant thereto.

The PHA hereby declares and acknowledges that during the existence of the trust hereby created, HUD has been granted and is possessed of an interest in the above described Project property, **To Wit:**

The right to require the PHA to remain seized of the title to said property and to refrain from transferring, conveying, assigning, leasing, mortgaging, pledging, or otherwise encumbering or permitting or suffering any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said property or any part thereof, appurtenances thereto, or any rent, revenues, income, or receipts therefrom or in connection therewith, or any of the benefits or contributions granted to it by or pursuant to the Modernization Grant Amendment and the Annual Contributions Contract, or any interest in any of the same except that the PHA may (1) to the extent and in the manner provided in the Annual Contributions Contract, (a) lease dwellings and other spaces and facilities in any Project, or (b) convey or otherwise dispose of any real or personal property which is determined to be excess to the needs of any Project, or (c) convey or dedicate land for use as streets, alleys, or other public right-of-way, and grant easements for the establishment, operation, and maintenance of public utilities; or (d) enter into and perform contracts for the sale of dwelling units to members of tenant families, as authorized by the United States Housing Act of 1937, or (2) with the approval of HUD, release any Project from the trust hereby created; Provided, That nothing herein contained shall be construed as prohibiting the conveyance of title to or the delivery of possession of any Project to HUD pursuant to the Annual Contributions Contract.

The endorsement by a duly authorized officer of HUD (1) upon any conveyance or transfer made by the PHA of any real or personal property which is determined to be excess to the needs of any Project, or (2) upon any instrument of conveyance or dedication of property, or any interest therein, for use as streets, alleys, or other public right-of-way, or for the establishment, operation and maintenance of public utilities, or (3) upon any instrument transferring or conveying a dwelling unit, or an interest therein, to a member of a tenant family, or (4) upon any instrument of release made by the PHA of any Project shall be effective to release such property from the trust hereby created.

The individual projects covered by the Modernization Grant Amendment shall be subject to this Declaration of Trust for a period of twenty years beginning on the date of the Modernization Grant Amendment. Each individual project shall also be subject to this Declaration of Trust for a period of twenty years after the date of the most recent Modernization Grant Amendment applicable to that project. Upon expiration of the period during which the PHA is obligated to operate the individual projects in accordance with the Annual Contributions Contract, the trust hereby created shall terminate and no longer be effective.

The undersigned, officer of the PHA, hereby certifies that the information contained herein is true and correct to the best of his or her knowledge and belief.



# Repositioning Public Housing



**November 14, 2018 HUD letter continued**

**Goal:**

....to make sure you and your staff are aware of the repositioning strategies available and to provide technical assistance where needed. We look forward to helping **facilitate locally-driven solutions** to your unique set of challenges and opportunities.



# Ok, so what does all that mean?



- Repositioning is a way to address the backlogged capital needs by utilizing existing equity and the option to partner with the private market
- Can result in redevelopment or rehabilitation
- This is an opportunity for local priorities to be addressed with public and private partnerships



# Ok, so what does all that mean?

- The financial structure of public housing is recognized as unsustainable in the long term
  - City of Flagstaff programs ARE financially stable, for now
- HUD is strongly encouraging transitioning public housing to a different FINANCIAL platform
- Industry belief is that at some point, what is an option now, will become a requirement
  - Staff recommends implementing NOW, while there is still some flexibility



# ...what does all this NOT mean?



- **Housing units are NOT going away**
- **Public Housing residents are NOT losing their homes**
- This is a **FINANCIAL** conversion that can also result in redevelopment / rehab
- There is **NOT** more money from HUD



# Rental Assistance Demonstration



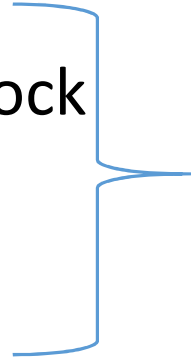
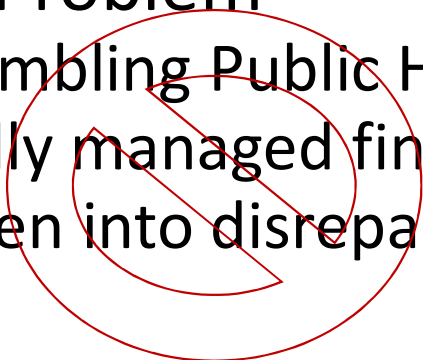
- “RAD” was established in 2011 to help convert at-risk public housing properties to project-based vouchers or rental assistance contracts under the financial format of the Section 8 program
- This voluntary conversion gives public housing authorities more flexibility to access private and public funding sources, easing reliance on unpredictable and unreliable appropriations from Washington



# Why would anyone “go RAD” or “reposition”?

## • “The Problem”

- Crumbling Public Housing stock
- Badly managed financially
- Fallen into disrepair



*Do not apply to Public Housing in Flagstaff*

## Why would we do it?

Opportunity to stabilize under a different federal funding source, increase the number of affordable rentals, leverage private investment and tailor development to meet local needs



## Five Things To Know About Public Housing Conversions



- RAD allows public housing agencies to **leverage public and private debt and equity in order to reinvest in the public housing stock.**
- In RAD, public housing units move to a different federal financial platform with a long-term contract with HUD that, by law, must be renewed. This ensures that the units remain **permanently affordable to low-income households.**



## Five Things You Should Know About Public Housing Conversions



- **Residents continue to pay 30% of their income towards the rent and they maintain the same basic rights** as they possess in the public housing program.
- **RAD maintains the public stewardship** of the converted property through clear rules on ongoing ownership and use.
- **The RAD program is cost-neutral and does not increase HUD's budget.**



# Ok.....but HOW?



- Public housing program is limited by congressional appropriations and statutory restrictions
- Other rental assistance programs are more flexible
- Section 8 program financially designed to work alongside other public and private financing tools



# Other Funding Sources



HUD repositioning tools are intended to be used with private ones

- Low Income Housing Tax Credit
- Federal Home Loan Bank
- Other federal funding sources (HOME)
- Traditional lending
- Accessing the equity existing in the land/units



# How do we get from here to there?



## Identify a “co-developer” partner

- Temporary expertise and capacity building
- Necessary expertise and capacity
- Identified through a competitive Request for Statement of Qualifications process
- Anticipated to be paid through any developer fees associated with future development/redevelopment
  - Contract can provide an “out” for the CoF at any point

Did Housing staff  
dream this up by  
themselves?

**NO!!**

**Successful model  
utilized in Arizona  
and nationwide**

- Maricopa County
- City of Surprise
- City of Phoenix
- Eloy
- Yuma
- Boulder
- Ft. Collins
- New York City
- San Francisco
- Santa Fe
- Salt Lake County
- .....hundreds more





# How long will this take?

4 - 8 years

Why so long?

Local, state and federal administrative processes  
AND development process

This process involves PEOPLE and their homes



# RAD Process in a Nutshell



## **PHA submits letter of intent and is placed on waiting list**

- HUD notifies PHA they have been selected for review

PHA has 60 days to complete/submit full application

- HUD review process begins

HUD issues an initial approval known as “Commitment to enter into a Housing Assistance Payment”, or CHAP

PHA finalizes details of financing and unit conversion

HUD issues RAD conversion commitment

- Closing/Conversion takes place



# What is a Letter of Interest?

- Brief letter from PHA to reserve a spot on HUD's waiting list
- Identifies projects and units for which there is interest in applying
- Non-binding, few details

HUD is currently reviewing Letters of Interest submitted in  
2017



# What is working in our favor?



- Financial and program stability
- All programs are rated as “High Performer” by HUD
- Professional and experienced staff
- Units are in decent condition
- We don’t need to be “saved”
- Siler and Brannen Homes are in desirable locations
- Community need
- Advanced planning
  - Purchase of site appropriate for construction of relocation housing



# Priorities



- Current and future residents are the number one focus in what we do
- Increase number of rental units
- Retain ownership of land
  - Reversionary clause at a minimum
- Retain property management



# Unknown (right now)



- Specific dates
- Specific unit numbers
- Specific locations
- AMI served
- Funding sources
- Potential leverage

*All to be figured out as part of the process!  
We are at the beginning*



# Public Housing Sites

Click here for map

Neighborhoods:

- [Greenlaw](#)
- [Cherry Hill](#)
- [Sunnyside](#)
- [Southside](#)
- [Link to interactive map](#)





HOTEL MONTE VIS



# Property Overview

Charity Lee



[Click here for map](#)





# Conclusion and Direction

Sarah Darr





# Seeking Direction



## Points of Consideration

- Timing
- Multi-year plan to increase affordable rental units and at the same time reposition public housing
- Low risk decision points
  - No obligation to proceed if returning details are not desirable



# Seeking Direction



- Submit “Letter of Intent” to HUD to begin process
- Issue Request for Statement Of Qualifications to identify co-developer
  - Why a RSOQ instead of Request for Proposals?
  - What is a co-developer again?
  - Why a co-developer?



# Coming Attractions



- Award of contract for Mobile Home Park Closure Displacement
- CDBG funding awards and approval of Annual Action Plan
- Site Plan consideration for approval - Scattered Site AH
- Consideration of local preference for Section 8 program
- Presentation seeking policy direction for Incentive Policy Update
- Housing Board or Commission

