

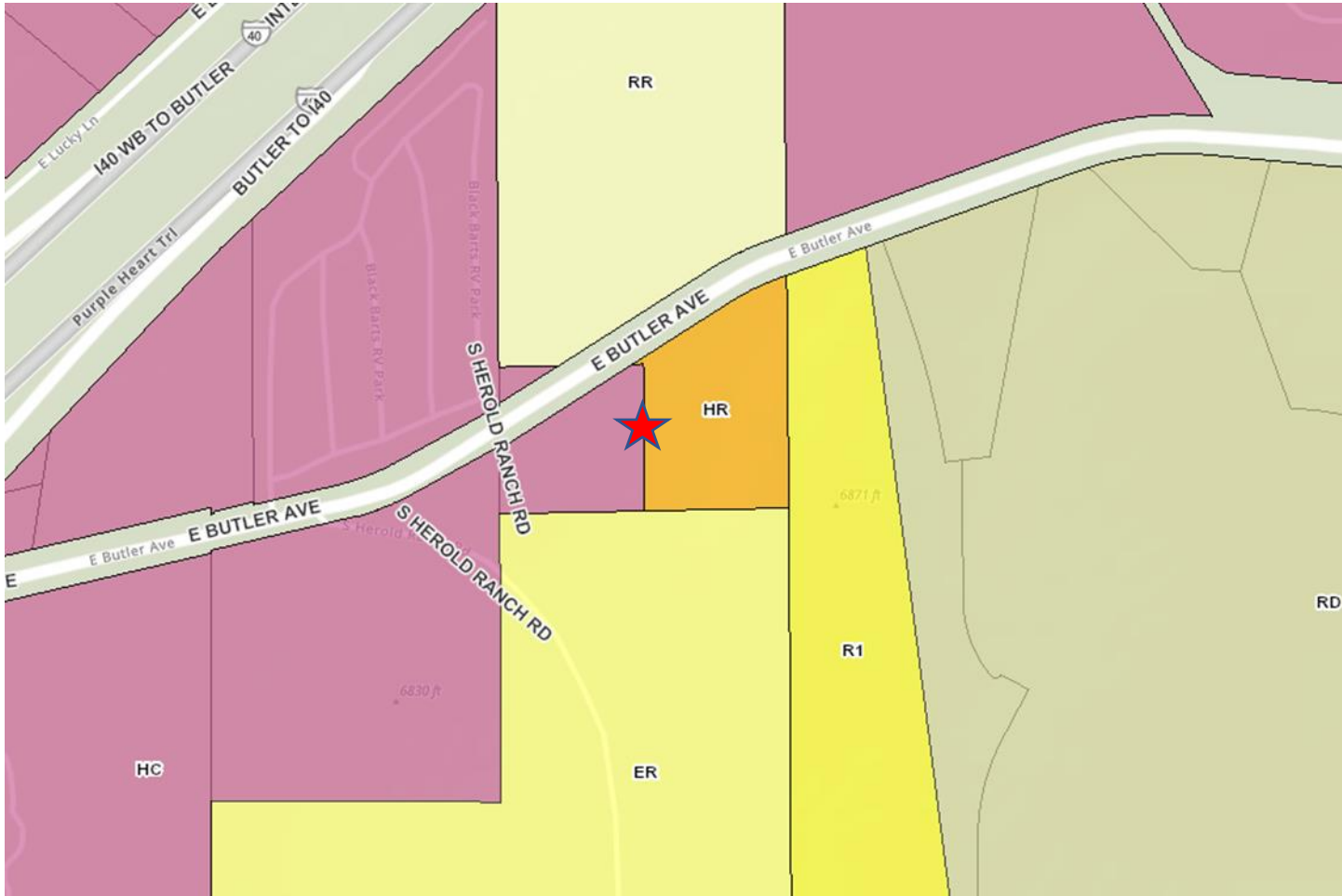
City Council – Regular Agenda Woodshire on Butler Condominiums

Proposed Amended Development
Agreement





Vicinity Map with Zoning





Aerial



Woodshire Timeline



Summer 2018	Start of negotiations with Brookfield on affordable units at Woodshire Proposal to purchase adjacent city property
January 2019	COF invitation for bid process
March 2019	Brookfield Communities was the sole bidder. Council accepted offer
May 2019	Site plan approved
July 2019	Preliminary plat approved Development agreement DEV-2019-288-AG2 approved (Resolution 2019-18) Purchase contract approved (Ordinance 2019-11)
February 2021	Final Plat approved
October 2021	First affordable purchase contract signed for \$278,220 (buyer withdrew September 2022)
May 2022	Second affordable purchase contract signed for \$326,670
Summer 2023	Certificates of Occupancy delayed and sequencing conversations
August 2023	Direction to Brookfield about DA amendment process and minimum requirements for the remaining affordable units
September 2023	First affordable condo built and sold
Fall 2023	DA Amendment conversations begin
January 2024	Brookfield coordination with DaVinci Realty; remaining affordable units advertised on MLS
February 2024	Current DA amendment proposed; City staff agreed to an increased AMI and suggested other minor changes to increase flexibility on future purchase contracts
March 2024	Brookfield submitted DA Amendment application and paid fee
April 2024	Draft DA Amendment language
June 2024	DA Amendment Hearing set for June 18, 2024



Status of Affordable Units

- The construction process at Woodshire was greatly impacted by the COVID-19 pandemic-era labor challenges, increases to the cost of materials, and delivery delays.
 - The initial affordable sales price was about \$275,000 – 20% less than the market rate units of +\$330,000. The affordable sales prices increased by roughly \$100,000 since the initial units were offered for sale in 2020. The current pricing on the affordable units is \$368,000.
 - The latest challenge has been rising interest rates and the cost that adds to a monthly housing payment. The DA currently restricts the housing payment to 30% of the eligible buyer's monthly household income with no exceptions.
- Of the five required affordable ownership units, only one has been built and sold to date.
 - Housing staff members have seen consistent interest in the affordable units from eligible buyers since 2020, but the ability of eligible buyers to enter into a successful purchase contract has been hampered by the issues discussed above.
 - Two purchase contracts for affordable units were secured between 2021 and 2022.
 - The first purchase contract withdrew due to construction delays and rising interest rates.
 - The second purchase contract did close escrow in September 2023. There have been no new purchase contracts since May 2022. Since Brookfield partnered with Da Vinci Realty to list the remaining four units on the multiple listing service (MLS) in February 2024, there has been an uptick in inquiries about the affordable units.



DA Amendment Discussions

- In September 2023 City staff received Brookfield's initial proposed amendment, which was an in-lieu payment of \$25k per undelivered unit, totaling \$100K. Staff rejected the offer and proposed a new amount based on the price differential of the market rate units and the required 20% less than fair market pricing for the affordable units.
 - Typical Market Rate price (per Zillow listing): \$460,000
 - Required Price Differential = $460K \times 2 = 92,000$
 - Affordable sales price = $460,000 - 92,000 = \$368,000$
 - Price differential of $92,000 \times 4$ unsold units = **\$368,000**
- Brookfield did not agree with the \$368K in-lieu fee amount and began coordinating with DaVinci Realty company in January 2024 to get the remaining unsold units listed (both market rate and affordable).
- Brookfield proposed in February 2024 to reduce the sales price of two of the four remaining affordable homes to \$275,000 and allow the other two units to be sold at market rate. Staff rejected this offer.
- **Current Proposal:** The developer has proposed an amendment to simply increase the AMI of the eligible buyers from 100% to 125% AMI. Staff agreed to this increase if the current sales price of \$368,000 is held until the remaining affordable units have sold.
- Staff also suggested greater flexibility on the maximum housing ratios on future purchase contracts and two one-year extensions to complete the remaining sales.



Proposed DA Amendments

4.3.1 The Developer's Obligations. Developer agrees to provide a minimum of five (5) permanently affordable ownership units. The affordable ownership units will be deed-restricted, utilizing deed restrictions approved by the City, to secure permanent affordability and must be sold to households earning up to no more than ~~100~~-125% of the Area Median Income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD) or its successor. Developer must finance the costs of construction for the affordable housing units, which shall be comparable in construction quality and exterior design to the market rate units within the development. Developer will work with the City to ensure that the affordable units are dispersed throughout the project. Each unit shall be priced ~~a minimum of 20% less than the fair market value per square foot of comparable units, at the current base sales price of \$368,000.~~ with Qualifying buyers shall spending no more than 30% of monthly income on mortgage payments without approval by the Housing Director of the City of Flagstaff or designee. The five units shall be two-bedroom units. The units shall be constructed and offered for sale within five (5) years from the date the property is sold, with two (2) one-year extensions available as requested in writing the Developer.



Affordability Analysis

New area median income limits for Flagstaff were released by the City’s Housing Section in April 2024. An affordability analysis was completed using updated income limits in the table below.

Maximum Home Prices Affordable to 80 - 125% AMI (2024)				
		80% AMI	100% AMI	125% AMI
Household of 1	Gross Annual Income	\$55,950	\$76,020	\$95,025
	Monthly Housing Payment @ 30% HR	\$1,399	\$1,901	\$2,376
	* Maximum Affordable Home Price	\$127,000	\$203,000	\$279,000
Household of 2	Gross Annual Income	\$63,950	\$86,880	\$108,600
	Monthly Housing Payment @ 30% HR	\$1,599	\$2,172	\$2,715
	* Maximum Affordable Home Price	\$155,000	\$244,000	\$330,000
Household of 3	Gross Annual Income	\$71,950	\$97,740	\$122,175
	Monthly Housing Payment @ 30% HR	\$1,799	\$2,444	\$3,054
	* Maximum Affordable Home Price	\$188,000	\$295,000	\$380,000
Household of 4	Gross Annual Income	\$79,900	\$108,600	\$135,750
	Monthly Housing Payment @ 30% HR	\$1,998	\$2,715	\$3,394
	* Maximum Affordable Home Price	\$216,000	\$327,000	\$432,000

**The calculations in this table assume a 30-year fixed mortgage interest rate of 7.25%, 5% down payment, housing ratio capped at 30%, \$140 monthly HOA fee, and \$450 in taxes and insurance.*

Questions/ Discussion

