

Affordability Plan – Habitat for Humanity Starter Homes at Timber Sky

Adopted December __, 2025

This Affordability Plan is established this _____, day of December, 2025 by and between the Habitat for Humanity of Northern Arizona, Inc., an Arizona nonprofit corporation and the City of Flagstaff, an Arizona municipal corporation (“**City**”).

1. **Purpose.**

The purpose of the Affordability Plan is to establish an affordable housing program and to define roles and responsibilities of the parties for the Habitat for Humanity Starter Homes at Timber Sky, a 100% affordable development.

2. **Property Information.**

Project: Habitat for Humanity Starter Homes at Timber Sky (also known as “Habitat at Timber Sky Condominiums”).

Developer: Habitat for Humanity of Northern Arizona, Inc., an Arizona nonprofit corporation (“**Habitat**” or “**HFHNA**”).

Address: 2410 South Alvan Clark Way (see Exhibit 1 for site map)

Current APN#: 112-01-157A (New APNs will be assigned for each Unit)

Property area (“**Land**”): 3.3 acres

Zoning: High Density Residential (HR) / RPO overlay

Number of individual condominium units (referred to herein as “**Starter Homes**” or “**Units**”): Forty (40)

Type plat: Leasehold condominium

Building design: Approximately 400 - 500 sq. ft. standalone units.

Master Association / Timber Sky HOA: Timber Sky Community Association

Condominium Association / Starter Home HOA: Habitat at Timber Sky Condominium Association

Ground Lease: The Land will be owned by the City and leased pursuant to a Ground Lease that covers the entire property. Each Homeowner of a Starter Home will automatically be subject to the Ground Lease, will be a lessee under the Ground Lease, and have a leasehold interest for the land underlying its Starter Home.

Unit Owner / Homeowner: The then current owner of a Unit/Starter Home.

3. **Affordable Housing Deed Restriction.** (Document #3965924, para. 2)

- The terms of the Habitat Affordability Plan may be agreed to and amended by the written consent of Habitat and City Manager of the City. The Habitat Affordability Plan is subject to the provisions of the that certain Special Warranty Deed With Restrictive Covenant recorded on December 16,

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2022, in the Official Records of the Coconino County Recorder at Instrument No. 3965924, as amended by the Restrictive Covenant Agreement (#_____).

- The parties hereby agree that implementation of this Affordability Plan sufficiently harmonizes and satisfies the requirements that the starter homes be in alignment with Habitat’s existing starter home program with the City (at 215 & 217 S. O’Leary Street) and that they be placed in the City’s Community Land Trust program.

4. HFHNA’s Responsibilities.

- Construct all Units and improvements of the Condominium necessary for public sale.
- Manage the Starter Homes program (Exhibit 2).
- Collect the monthly payments from the Unit Owners and disburse funds as intended, or direct Unit Owners to pay monthly payments directly to the applicable third parties.
- Assessments payable to the Timber Sky HOA and the Starter Home HOA will either (i) be paid by Unit Owners directly to the Timber Sky HOA or Starter Home HOA or (ii) be paid by the Unit Owners to HFHNA, who will in turn remit such payments to the Timber Sky HOA and/or the Starter Home HOA. As between Habitat, the City, and the Homeowners, the City is not the responsible party. (#3965924, para.5)
- Pay property taxes owed, if any, with respect to Units owned by HFHNA from time to time. Each Unit Owner will be liable for the property taxes for its own Unit.

5. HFHNA Reporting Requirements.

- Prior to the sale of each Starter Home, provide the City Housing Division with proof of each purchaser’s eligibility, per the Starter Home Program requirements.
- Provide a copy of each recorded Resale Agreement to City (recorded at time of each sale).
- Provide annual reports to the City of Flagstaff Housing Division. Reports must identify the tenure of each Unit Owner’s residency and provide an accounting of each Unit Net Equity. The report may also include community service hours completed by Unit Owners, if required.

6. City Responsibilities.

- Review the HFHNA legal documents and forms, for compliance with the Starter Homes program.
- Monitor the Starter Homes program, enforce Affordable Housing Deed Restriction in its discretion.
- Include the 40 units in its inventory of affordable housing.
- “[T]he City is not the responsible party [for HOA assessments].” (#3965924, para. 5)
- “Title to the Habitat Property shall be transferred to the City or its assignee, if construction of the 40 Affordable Ownership Units is not substantially complete as determined in the sole and absolute discretion of the City within five (5) years following the date that the Habitat Property is conveyed to Habitat. Upon request of City, Habitat shall transfer and convey to City all rights, title and interest . . .” (#3965924, para. 3)
- Provide scheduled maintenance of the Condominium driveway and parking areas upon the conditions and for the time periods set forth in the separately recorded Driveway Maintenance Agreement.

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7. **Master Association – Timber Sky Community Association Responsibilities.**

- Manage the master development as set forth in the Timber Sky CC&RS (#3859262) and in that certain Declaration of Annexation and Supplemental Declaration to Declaration of Covenants, Conditions, Restrictions and Easements for Timber Sky (#_____).
- Enforce the Timber Sky CC&Rs, including design guidelines.

8. **Starter Home HOA – Habitat at Timber Sky Condominium Association Responsibilities.**

- Manage the development as set forth in the Declaration Of Condominium And Easements For Habitat At Timber Sky Condominium (#_____) (the “Condo CC&Rs”)
- Enforce the Condo CC&Rs
- Maintain all common elements of the Project as set forth in the CC&Rs, subject to any obligations of the City or the Master Association, if any, to maintain portions of the common elements.

9. **Homeowner Responsibilities.**

- Upon purchase and sale of a Unit, pay all Regular Assessments, Special Assessments, Reserve Contributions, Transfer Fees, and Contributions to Working Capital to the Timber Sky HOA and/or the Starter Homes HOA, as applicable.
- Comply with Starter Homes program requirements.
- Make monthly payments on Starter Home to HFHNA, as lender. Payments will include the mortgage payment, all property taxes and insurance, and certain other the fees and assessments, including amounts payable to the Timber Sky HOA and the Starter Home HOA. Monthly payments will be deposited into escrow account to be established by HFHNA and Unit Owner.
- Insure, repair, and maintain Starter Home in good condition.
- Comply with provisions of Key Documents.

10. **Project Background.**

The City and VP 66 & Woody Mountain, LLC (“**Vintage**”) entered into a Timber Sky Annexation and Development Agreement in 2019 (“the DA”) related to development of residential land located in Flagstaff. Vintage received certain development rights from the City in exchange for making affordable housing commitments. The DA was amended four times. Under the 4th Amendment to the Timber Sky Annexation and Development Agreement (“the 4th Amendment”) approved in 2022, the City and Vintage agreed to a new affordable housing development obligation wherein Vintage deeded 3.3 acres of land to HFHNA for development of 40 affordable ownership units.

11. **Key Documents.**

- ***4th Amendment to the Timber Sky Annexation and Development Agreement (#3963636)***
 - Provides for transfer of Land to HFHNA for development of affordable housing.
- ***Special Warranty Deed with Restrictive Covenant (#3965924), Correction (#3967319) and Restrictive Covenant Agreement (#_____).***
 - Transfers 3.3 acres of land to HFHNA for development with affordable housing
 - Allows City to enforce restriction.
- ***Ground Lease (Habitat at Timber Sky Condominium) (#_____).***
 - Agreement through which the City leases the 3.3 acres of Land back to HFHNA.
 - Sets forth other obligations of the lessor and the lessees.

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- **Final Plat for Habitat for Humanity Condominiums, Lot 1 of the Final Plat for Timber Sky Block 2 (#4017089), replaced by (#_____)(“Starter Homes Plat”)**
 - Establishes 40 individual leasehold condominium units, together with associated common elements.
- **Declaration of Covenants, Conditions and Restrictions for Timber Sky (#3859262)(“Timber Sky CC&Rs”) and Supplemental Declaration (#_____)**
 - Establishes rules for management of the master development and an HOA.
 - Requires Unit Owners to pay regular assessments, special assessments, a transfer fee, reserve contribution, and a contribution to working capital.
 - Imposes design guidelines.
- **Driveway Maintenance Agreement for Habitat at Timber Sky (#_____)**
 - Commits City to performing scheduled maintenance of driveway and parking areas upon the conditions and for the time periods set forth therein.
- **Declaration of Condominium and Easements for Habitat at Timber Sky Condominium (#_____)(Starter Homes CC&Rs”)**
 - Establishes rules for management of the Project and the Starter Home HOA.
 - Requires Unit Owners to pay regular assessments, special assessments, a transfer fee, reserve contribution, and a contribution to working capital
 - Establishes the condominium form of ownership and rights and responsibilities pertaining to the use of the common elements.

12. Community Garden Option.

- Per the Condo CC&Rs and the Ground Lease, HFHNA may establish a public amenity such as community garden within the Project and provide for a revocable license for public use.
- HFHNA may apply for City Beautification, Arts & Sciences grant funding for a public amenity such as a community garden. Use of such grant money requires that the amenity be accessible to the public. A public access license will be required. The Starter Home HOA and City may develop guidance documents for management of the public amenity or community garden (including compliance with any applicable land use regulations). The license may be revocable by the Starter Home HOA, however, the Starter Home HOA would need to refund all or a portion of the City grant funds if so specified in the license.

The undersigned parties hereby agree and consent to compliance with the terms and conditions of this Affordability Plan for the Habitat for Humanity Starter Homes at Timber Sky. Any amendments to this Affordability Plan must be approved in writing by the undersigned parties, and no provision of this document may be waived by conduct or verbal discussion, but only in writing. This Affordability Plan may be enforced pursuant to the terms and conditions of the Ground Lease after good faith discussions and efforts of the parties to resolve any issues of concern.

[SIGNATURE PAGE FOLLOWS]

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HABITAT FOR HUMANITY OF NORTHERN ARIZONA, INC, an Arizona nonprofit corporation

By: _____

Name: Eric Wolverton

Its: Chief Executive Officer

CITY OF FLAGSTAFF, an Arizona municipal corporation

Joanne Keene, City Manager

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**EXHIBIT 1
SITE MAP**



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EXHIBIT 2

HABITAT FOR HUMANITY STARTER HOMES AT TIMBER SKY PROGRAM

The goal of the Starter Home Program at Timber Sky is to provide a low-barrier entry to homeownership by constructing efficient, affordable homes that allow homeowners to build equity.

Program Details

- The Starter Homes are approximately 400 – 500 square feet in size and sell for the appraised value of the home per appraisals obtained by HFHNA.
- Eligible homeowners qualify for a 0% interest mortgage from HFHNA, with a minimum \$1,000 payment required which is applied against closing costs.
- Each homeowner will pay a monthly mortgage payment for purchase of a Starter Home, property taxes, insurance, ground lease rent (currently \$30/month), and assessments owed to the various homeowners associations, which amounts will vary.
- Upon resale of the Starter Home, HFHNA will pay seller the amount equal to the seller's Net Equity (as defined in the Resale Agreement that HFHNA enters into with each homebuyer), unless the Starter Home is sold within 36 months of the original purchase, in which case there is no payment of Net Equity
- The intention is that homeowners will use their Net Equity for a down payment on a new home or housing.
- Homeowners automatically will be subject to the Ground Lease with respect to their Unit.
- Homeowners are required to resell the home back to HFHNA within 10 years from when it was purchased for the original purchase price. Subject to the Repayment Limitations, a seller's Net Equity is paid to them at resale.
- HFHNA buys back each Unit, makes necessary repairs and 'recycles' the Unit to allow other qualified buyers the opportunity to build equity through an affordable 0% interest mortgage.
- Starter Homes must be owner-occupied, but immediate family members may also reside on the premises.
- There are various restrictions on use of the Starter Home, as set forth in the Starter Home CC&Rs,

Homebuyer eligibility requirements

- U.S. citizen or a legal permanent resident
- Continuous resident of Flagstaff for 12 months immediately prior to application
- Inability to qualify for a mortgage from a conventional lending institution
- Homebuyers shall have an income equal to or less than one hundred percent (100%) of Area Median Income (AMI) at the time of purchase.
- Pass a background and criminal history check
- Agree to perform at least 20 hours of unpaid community service per year (up to 200 hours)

Priority is given to applicants who demonstrate the greatest housing need. Considerations include current living situations that are unsafe, unsanitary, overcrowded, inaccessible, or if the applicant's current rent and utilities are more than 30% of gross household income.

Homebuyer Responsibilities

- Upon purchase and sale of a Unit, pay all Regular Assessments, Special Assessments, Reserve Contributions, Transfer Fees, and Contributions to Working Capital to the Timber Sky HOA and/or the Starter Homes HOA, as applicable.
- Comply with Starter Homes program requirements.

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- Make monthly payments on Starter Home to HFHNA, as lender. Payments will include the mortgage payment, all property taxes and insurance, and certain other the fees and assessments, including amounts payable to the Master Association and the Starter Home HOA. Monthly payments will be deposited into escrow account to be established by HFHNA and Unit Owner.
- Insure, repair, and maintain Starter Home in good condition in accordance with agreements with HFHNA.
- Comply with provisions of Key Documents.

Workforce Development

Starter Homes are constructed in partnership with Coconino Community College's Sustainable Building Program. CCC has developed curriculum in which students build panelized wall systems. The Starter Home Program promotes workforce development and job creation in the effort to grow and retain a local workforce.

For more information about the Starter Home Program, visit HFHNA's website:

<https://www.habitatflagstaff.org/our-homes>

Eric Wolverton, Executive Director
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Starter Home architectural plans were designed and donated by Karl Eberhard, www.KarlEberhard.com