

DRAFT - Adaptive Reuse Bond Program

Program Description

The language below is from the City of Flagstaff Voter Information Pamphlet (2022) and explains the intent behind the bond funding for this activity.

“This funding...will allow the City of Flagstaff to partner with private developers, non-profits included, to repurpose existing and available buildings and spaces into rental opportunities for the residents of Flagstaff. Housing units are not the only community benefit this activity will provide. In addition to the creation of an estimated 75 rental units, currently vacant space in Flagstaff will transition to occupied homes.”

This Program will offer approximately \$3M in general obligation bond funds through an open call for applications. Funding will be provided as forgivable 30-year loans to assist non-profit or for-profit developers in repurposing and rehabilitating existing buildings into affordable rental units. The goal is to create 75 new affordable rental units through the adaptive reuse of the city’s existing building stock.

Funding Availability

The City of Flagstaff will make approximately \$3M in program funds available through an open call for applications. Applications for funding will be considered on a first come, first served basis until all program funds have been allocated. Program funds will remain available until all funds have been allocated. Applications will be evaluated on a pass/fail basis.

Applicability

For the purposes of this program, ‘Adaptive Reuse’ is defined as repurposing and/or rehabilitating any existing building for the creation of a 100% affordable project with two or more residential units.

Please ensure the proposed project is permitted by-right and does not require zoning approvals. Refer to [Section 10-40.30](#) of the Flagstaff Zoning Code for permitted residential uses in all zoning districts, and [Section 10-30.20](#) for Affordable Housing Incentives for Adaptive Reuse Projects. To be eligible for incentives, the following Adaptive Reuse Project criteria must be met:

- (i) The building shall be a minimum of fifteen years of age; and
- (ii) The project may not include additions that exceed 25% of the existing building.

Project Requirements & Award Determination

To be eligible to apply for funding, projects must meet **all** requirements across three categories: Project Details, Cost Per Unit, and Leveraged Funding. Applications will be reviewed on a first come, first served basis. Applications must pass **all** of the below requirements to be eligible for an award of funding. If the project fails to meet any of the below criteria it will not be eligible for funding. City staff will notify applicants of their eligibility for an award of funding within 30 calendar days of the submission date.

- Project Details (Pass/Fail): Describe how the project meets all of the criteria listed below:

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- **Property Eligibility:** Property must be located within city limits and show proof of ownership, a contingent purchase contract, or possess a lease agreement providing the applicant with the right to operate the proposed residential use onsite for the minimum affordability period. Applicant must also provide documentation that the proposed residential use is permitted within the underlying zoning district, per the Flagstaff Zoning Code.
- **Eligible Uses:** Program funds may be used for costs relating to the acquisition and rehabilitation of existing buildings for 100% affordable new rental housing including: purchase, renovation, preservation, rehabilitation, and infrastructure upgrades.
- **Ineligible Uses:** Program funds may not be used to pay for any costs related to the construction of new freestanding buildings, complete demolition of buildings, renovation of existing residential units, or the improvement of undeveloped land.
- **Affordability Period:** The minimum required affordability period is 30 years and shall be sustained regardless of any transfer of ownership.
- **Area Median Income Limit (AMI):** Project must provide units at an average of 80% AMI or less, with a maximum household income of 100% AMI. If any of the units are leased to households exceeding 100% AMI, the loan will be due and payable in full.
- **Affordable Rent Methodology:** Unless other funding sources require differently, the City of Flagstaff Affordable Rent & Income Limits shall be used.
- **Cost Per Unit (Pass/Fail):** Applications requesting \$40,000 or less per unit will be eligible for funding. Applications requesting more than \$40,000 per unit in funding will not be eligible for funding. Award amounts are dependent on availability of funds.
- **Leveraged Funding (Pass/Fail):** Additional funding sources beyond the City of Flagstaff bond funds are required and will be evaluated for project viability. All funding sources must be listed with letters of commitment from all secured and pending funding provided.

Loan Terms

Funding will be provided as a loan between eligible applicants and the City of Flagstaff. Contract/loan documents will be approved separately by City Council. Funding will be available after City Council approval of contract/loan documents and the recording of associated loan documents.

- Loan will be secured against the property with a promissory note and recorded deed of trust and will be subordinate to first mortgage financing with further subordination considered on a case-by-case basis.
- No interest and no payments are required during the 30-year term if affordable units continue to meet the affordability terms identified in the contract/loan documents.
- 30-year compliance period will commence at issuance certificate of occupancy. After the required 30-year term, the loan will be forgiven.
- Loan may be assumed if property is sold; the new owner must agree to honor the terms of the original contract and execute new documents.
- Units must be available for lease within 24 months of contract approval. Extensions to this timeframe will be considered on a case-by-case basis with documented justification.

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- If the developer fails to honor the contract and units are not delivered and maintained in accordance with the terms of the contract/loan documents, the loan will be called due and payable immediately.

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