City of Flagstaff Adaptive Reuse Bond Program

City of Flagstaff - Housing Office

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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."

This Program will offer approximately $3,000,000 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 seventy-five (75) new affordable rental units through the adaptive reuse of the City of Flagstaff's ("City") existing building stock.

Funding Availability

The City will make approximately $3,000,000 in program funds available through an open call for applications. Applications for funding will be considered on a first-come, first-served basis and will continue to be received until all program funds have been allocated. Applications will be evaluated on a pass/fail basis.

Applicability

For the purposes of the Program, 'Adaptive Reuse' is defined as repurposing and/or rehabilitating any existing building for the creation of affordable residential units and is defined more specifically in the Flagstaff Zoning Code. 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.

Project Requirements & Award Determination

To be eligible to apply for funding, projects must meet **all** requirements across three (3) categories: Project Details, Cost Per Affordable Unit, and Leveraged Funding. Applications that contain all necessary materials and are deemed complete by the City will be reviewed on a first-come, first-served basis. At a minimum, complete applications must pass **all** of the requirements below to be eligible for an award of funding. If the project fails to meet any of the criteria below, it will not be eligible for funding. City staff will endeavor to review applications and notify applicants of their eligibility for an award of funding within thirty (30) calendar days of the application submission date.

1. Project Details (Pass/Fail): Describe how the project meets all criteria listed below.
   - ❑ **Property Eligibility**: Property must be located within City limits and show proof of ownership, a contingent purchase contract, lease agreement providing the applicant

with the right to operate the proposed residential use onsite for the minimum affordability period, or a letter of intent to purchase or lease the property. Applicant must also provide documentation that the proposed residential use is permitted within the underlying zoning district, per the City Zoning Code.

- ❑ **Eligible Uses**: Program funds may be used for costs relating to the acquisition and rehabilitation of new affordable rental housing in existing buildings, including purchase, renovation, and rehabilitation.
- ❑ **Ineligible Uses**: Program funds may not be used for any costs related to the construction of new freestanding buildings, renovation of market-rate units, renovation of existing residential units, complete demolition of buildings, or the improvement of undeveloped land.
- ❑ **Affordability Period**: The minimum required affordability period is thirty (30) years from the Certificate of Occupancy and shall be sustained regardless of any transfer of ownership, such transfer subject to the terms and conditions of the City loan documents.
- ❑ **Area Median Income Limit (AMI)**: The project must provide affordable units at an average of 80% AMI or less, with a maximum household income of 100% AMI.
- ❑ **Affordable Rent Methodology**: Unless other funding sources require otherwise, the City's Affordable Rent & Income Limits shall be used.

2. Cost Per Affordable Unit (Pass/Fail): Applications requesting $40,000 or less per affordable unit will be eligible for funding. Funding will be awarded on a per-unit basis to meet the 75-unit goal: $3,000,000 / 75 = $40,000. Applications requesting more than $40,000 per unit are ineligible. While funding will only be awarded to support the creation of affordable rental units, this program does not prohibit market rate units within the same project.

3. Leveraged Funding (Pass/Fail): Additional funding sources beyond City Program funds are required and will be evaluated for project viability, sustainability, and other metrics. All funding sources must be provided, including current and signed letters of commitment from pending funders or loan documents from closed funders.

Loan Terms

- Funding will be a loan between eligible applicants and the City. Loan documents will be provided by the City. Loan documents with each applicant will be subject to approval by City Council. The Program funds will be dispersed at either the close of escrow or after the primary loan closes.

- The 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 and in the City's sole discretion.
- No interest or principal payments are required during the 30-year term if affordable units continue to meet the terms identified in the loan documents.
- A 30-year compliance period will commence at the issuance of the certificate of occupancy. After the required 30-year term, the loan may be forgiven depending on the borrower's performance in accordance with the loan documents
- Units must be available for lease within twenty-four (24) months of the applicant receiving notification of an award of Program funds.
- A default under the loan documents will result in the City's ability to deem the loan in default and immediate repayment of all Program funds, such determination in the City's sole discretion.