



PHOENIXIDA

Item 3



MEMORANDUM

DATE: May 16, 2024
TO: Members, Board of Directors
FROM: Cindy Stotler, Housing Director
SUBJECT: Phoenix IDA 2024 Housing Strategy

BACKGROUND

The Phoenix IDA Housing Strategy was presented to the Board on January 18, 2024, and received preliminary approval from the Board members. The Board then directed staff to work with the City of Phoenix Housing Department, City Manager’s Office, the Mayor, and the City Council to obtain feedback and approval of the goals and objectives before returning for final Board approval.

Staff briefed and obtained detailed feedback and direction from Gina Montes, Deputy City Manager, and Titus Mathew, Phoenix Housing Director. Common goals were emphasized and minor changes in words and phrases were made as a result of that feedback.

The CEO of the Phoenix IDA presented the housing strategies to the Mayor and City Council at a Policy Session on March 26, 2024. The City Council voted to approve the Phoenix IDA’s strategies with emphasis on supporting affordable housing within the City of Phoenix, continuing to work with School Districts to create affordable housing, encouraging developers and partners to consider childcare as part of their project, and increasing the use of manufactured housing for low-income households.

COMMUNITY AND SOCIAL IMPACT

The Phoenix IDA Housing Strategy is designed to advance the production of attainable housing and support vulnerable communities in the City of Phoenix. The three main objectives of this strategy are:

1. Increase participation in and the production of affordable and workforce housing;
2. Assist the City of Phoenix with implementation of the Housing Phoenix Plan; and
3. Provide support for vulnerable communities and organizations served by the Phoenix IDA and PCDIC.

By focusing housing efforts on low and moderate income households, City public housing residents, and the homeless; these objectives are consistent with the Phoenix IDA's mission to provide access to funding to benefit underserved communities.

PLAN OF FINANCING

The Phoenix IDA Housing Strategy is primarily funded using bond financing and Low-Income Housing Tax Credits in collaboration with other funding sources such as local and federal grants, a separate non-profit 501c3 called the Community Enhancement Corporation, local housing funds, and private equity.

THE PROJECTS

A significant portion of the short-term outcomes have already been completed as indicated on the revised plan. The following projects, consistent with the Housing Strategy objectives, are currently in progress:

Goode Legacy Project – In January 2024, the City of Phoenix invited offers for seven vacant, City-owned parcels at 1414 E. Jefferson Street. The Phoenix IDA partnered with Plaza Companies, the Foresight Foundation, and the Goode Family to submit a winning bid for the acquisition and development of at least 144 units of affordable housing with extensive amenities on these parcels combined with five parcels owned by the Goode Family. The partnership is currently working with the City on a purchase and sale agreement for the seven parcels. The housing will be financed with bonds issued by the Phoenix IDA. Anticipated closing is mid to late 2025.

Central & Columbus Proposal - In January 2024, the City of Phoenix issued an RFP for mixed use affordable and workforce housing on 3.2 acres of land owned by the Housing Department at 32 E. Columbus Ave. The Phoenix IDA partnered with Holualoa Companies, Adelante Healthcare, Gorman & Company, and Mortenson, to form the Columbus Housing and Health Consortium (CHHC). The CHHC submitted a proposal that includes 250 units of affordable and workforce housing, a 40,500 square foot integrated healthcare center, a parking garage, a community garden, and many other amenities. The housing, healthcare center, and parking garage will be financed with bonds issued by the Phoenix IDA. The proposal was submitted on Friday, April 19, 2024, and we expect to hear from city regarding award this Summer.

Senior Bridge – The Phoenix IDA is partnering with Steel & Spark and Mercy House to invest in Senior Bridge; a transitional and permanent housing project for homeless seniors aged 55 and older. Senior Bridge will provide 40 units of transitional housing for homeless seniors with comprehensive supportive services and another 40 units of affordable, permanent apartments for seniors. All the housing and community structures are manufactured using repurposed

containers. Senior Bridge is funded by grants from the State Department of Housing, the City of Phoenix, and the Garcia Foundation in addition to the Phoenix IDA. Senior Bridge transitional housing is anticipated to open this Fall.

Alhambra School District Excess Land Sale – The Phoenix IDA is partnering with UMOM and the City of Phoenix to facilitate another sale of excess school district property for the purpose of building affordable housing. On April 18, 2024, the Alhambra School District Board approved the sale of land at 39th Avenue and Grand Avenue. UMOM is currently working on an appraisal and site plan to determine the size and scope of the development. The project will be financed with bonds issued by the Phoenix IDA and is anticipated to close in 2025.

Marcos de Niza Choice Neighborhoods Planning – The Housing Department requested assistance from the Phoenix IDA with the extensive planning process required for a Choice Neighborhoods grant to redevelop the Marcos de Niza public housing units and improve the surrounding community. That assistance will be in the form of personal participation, community event sponsorship, and possible land banking for planned future development. Planning will commence this Summer.

RECOMMENDATION

I recommend final approval of the Phoenix IDA Housing Strategy.



Phoenix IDA Housing Strategy

Purpose

Advance the production of attainable housing and support vulnerable communities in the City of Phoenix and the State of Arizona.

Current Housing Challenges

Arizona's population growth continues to lead the West as American households increasingly move to sunbelt states. Most of this growth occurred in Maricopa County, which gained over 720,000 residents between 2010 and 2022. The construction of housing has not kept up with demand from the rising population, resulting in a housing shortage that has driven up rental and home prices to unattainable levels for many residents. The housing shortage has resulted in severely cost-burdened households, overcrowding, and increased homelessness.

Housing affordability is a factor at many income levels with demand raising the prices of older housing stock that is usually reliable and naturally occurring affordable housing. Most significantly, there is a shortage of affordable rental units for low- and moderate-income residents. The National Low Income Housing Coalition estimates a shortage of 136,282 rental homes for extremely low-income households and only 86 rental units available for every 100 moderate income households statewide. The housing shortage is not just a social justice issue, it is also an economic problem. Across Arizona, many working residents are experiencing difficulty finding adequate, attainable housing necessary for a stable workforce.

The objectives and strategies detailed in this plan are designed to assist in the acquisition and development of affordable and workforce housing as well as support for housing advocacy and supportive services for housing stability.

Key Definitions

Affordable Housing – housing that is restricted to households with income equal to or less than 80% of Area Median Income and regulated by land use restrictions and/or a local or federal government agency. Maximum rents are established annually by the US Department of Housing and Urban Development with the objective that households pay no more than 30% of their income towards rent.

Area Median Income (AMI) – the midpoint of a specific area's income distribution calculated annually by the US Department of Housing and Urban Development. AMI is adjusted to reflect the size of the household. AMI is a benchmark used to determine eligibility for federal programs such as the Low-Income Housing Tax Credit and Housing Choice Voucher Programs.

Attainable Housing – housing with a monthly rent or sales price that is achievable and will not result in cost burdened housing instability for low- and moderate-income households.

Special Purpose Entity – a legal entity created to fulfill narrow, specific objectives.

Workforce Housing – rental housing and/or homes that are affordable for households earning 80% to 120% of Area Median Income. Intended for working households with moderate income; generally, not subsidized with federal funding or programs and not regulated to ensure that households pay no more than 30% of their total income toward rent or mortgage.

Objectives

Objective 1	Increase Phoenix IDA’s participation in the production of affordable and workforce housing.
Objective 2	Support the implementation of the Housing Phoenix Plan.
Objective 3	Provide support for vulnerable communities and organizations served by the Phoenix IDA and PCDIC.

Strategies

The following are specific strategies to meet the broad objectives described above. Many of these strategies will be implemented concurrently. Check marks indicate whether the strategy is short-term (12 months or less) or long term (1 to 5 years).

		Short-Term	Long-Term
Objective 1	Increase the Phoenix IDA’s participation in the acquisition and development of affordable and workforce housing.		
		Short-Term	Long-Term
Strategy A	Create a Special Purpose Entity to lessen the burden of government and facilitate the development of affordable and workforce housing. Utilize this entity’s non-profit status to: <ol style="list-style-type: none"> 1. Facilitate the financing of affordable/workforce housing projects with loans and bond capacity. 2. Accept donations/transfers of land and funding for the purpose of creating affordable and workforce housing. 	✓	✓

	<ol style="list-style-type: none"> 3. Apply for state and federal grants and/or loan programs to assist with the acquisition, construction, and rehabilitation of affordable and workforce housing. 4. Act as owner, co-developer, lender, lessor, and/or investor as needed to facilitate the development of affordable and workforce housing projects. 	✓	✓
Strategy B	<p>Facilitate School District Real Estate (SDRE) Acquisition for the purpose of developing affordable and/or workforce housing:</p> <ol style="list-style-type: none"> 1. Create a process to purchase the land from the school districts, place a long-term land use restriction on the property, hold the land in a Special Purpose Entity, and sell or lease the land to a housing developer. 2. Partner with current “teacherages” efforts by Vitalyst Health Foundation, School Districts, developers, and other local organizations to facilitate housing development projects on school district land. 3. Support rezoning efforts and advocate for legislation to expand the ability to create teacherages statewide. 	✓ ✓ ✓	
Strategy C	<p>Utilize the resources of the Phoenix IDA to find innovative ways to finance and facilitate key components of affordable and workforce housing development: 1) land banking; 2) zoning; 3) gap financing; 4) private activity bonds; and 5) alternative financing for pre-construction, construction loans, and development.</p> <ol style="list-style-type: none"> 1. Find ways to combine and leverage financing opportunities for business and workforce housing development. 2. Create a loan fund specifically for construction of single-family affordable homes on improved vacant lots: <ul style="list-style-type: none"> • Infill lots with immediate access to required utilities. • Revolving master guidance line of credit with sub-notes. Typical sub-notes require homebuilder to provide lender with pre-approved homebuyer mortgage commitments prior to start of unit construction. 	Short-Term	Long-Term ✓ ✓

	<ul style="list-style-type: none"> Utilize third party inspectors to validate unit draws and construction activity until receipt of certificate of occupancy. 		
Strategy D	<p>Capitalize on partnerships with local governments, non-profits, industry associations, and community-based organizations seeking to fund, develop, and support affordable housing projects.</p> <ol style="list-style-type: none"> Co-invest in affordable housing projects. Assist partner developers with zoning cases and support the City’s policy initiatives to ease zoning restrictions for housing development. Partner to advocate for affordable housing and homeless shelters/housing. 	<p>✓</p> <p>✓</p> <p>✓</p>	
Strategy E	<p>Partner with employers, non-profits, churches, and other landowners seeking to create attainable housing for working families:</p> <ol style="list-style-type: none"> Assist with land acquisition and facilitate the sale or lease of land to the housing developer. Assist with alternative financing tools to develop workforce housing. 		<p>✓</p> <p>✓</p>

		Short-Term	Long-Term
Objective 2	Support the Implementation of the Housing Phoenix Plan.		
Strategy A	<p>Assist with affordable housing development on city-owned land including:</p> <ol style="list-style-type: none"> Purchase or accept transfer of city-owned land to facilitate housing development. Acquisition of adjacent parcels to include in sale or lease to developer. Assist with financing the affordable housing development. 	<p>✓</p> <p>✓</p>	<p>✓</p>
Strategy B	<p>Expand the portfolio of the Phoenix Community Land Trust (CLT) to provide homeownership opportunities for low- and moderate-income households:</p> <ol style="list-style-type: none"> Purchase or accept transfer of single-family properties and place them in the CLT. Support the placement of high-quality manufactured homes on vacant lots that are part of the CLT. 		<p>✓</p>

			✓
Strategy C	Support and facilitate the use of Accessory Dwelling Units (ADUs) on single-family home properties to provide additional affordable rental housing: <ul style="list-style-type: none"> 1. Support the use of sustainable, quick occupancy manufactured dwellings for ADUs. 2. Explore/create financing tools to assist homeowners in purchasing ADUs to be used for affordable rental housing. 	✓	✓
Strategy D	Support and participate in Choice Neighborhoods community revitalization projects: <ul style="list-style-type: none"> 1. Provide gap financing and 4% bond financing for Choice Neighborhoods housing projects. 2. Provide support and possible financing for medical and small business development and expansion in the Edison Eastlake community. 3. Explore ways to partner in the Marcos de Niza Choice Neighborhoods planning effort. 	✓ ✓	✓
		Short-Term	Long-Term
Strategy E	Support efforts to increase homeownership for low- and moderate-income households: <ul style="list-style-type: none"> 1. Continue to adjust Home in Five down payment and mortgage assistance in fluctuating market. 2. Expand the Home in Five program to include manufactured housing. 3. Market the Home in Five program to any affordable single-family housing projects in which the Phoenix IDA is a participant. 4. Explore additional efforts to increase homeownership such as lease-to-own and targeted marketing to underrepresented populations. 	✓ ✓ ✓	✓

		Short-Term	Long-Term
Objective 3	Provide support for vulnerable communities and organizations served by the Phoenix IDA and PCDIC.		
Strategy A	Explore alternative housing solutions for persons displaced by Mobile Home Park redevelopment:		

	<ol style="list-style-type: none"> 1. Summarize and communicate successful methods of coordinating casework services, renumeration, and housing placement for displaced residents. 2. Explore the acquisition of existing mobile home parks and alternative ownership strategies such as community land trust or resident ownership equity to prevent future displacement of residents. 3. Advocate for zoning relief and participate in the development of new manufactured home subdivisions to replace homeownership opportunity lost by mobile home park redevelopment. 4. Find alternative financing tools, grants, and other funding to assist displaced residents with a new homeownership opportunity. 	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>
		Short-Term	Long-Term
Strategy B	<p>Explore innovative ways to create quick occupancy, affordable housing for homeless and extremely low-income residents:</p> <ol style="list-style-type: none"> 1. Advocate for and participate in new manufactured home park/subdivision development to replace homeownership lost by mobile home park closures. 		<p>✓</p>
Strategy C	<p>Continue to provide grant and other funding opportunities for organizations serving and housing homeless, low income, and other disadvantaged populations in Arizona.</p>	<p>✓</p>	

Resources

Phoenix IDA

- Bond Financing for LIHTC and other affordable housing projects
- Loan programs
 - Home in Five
 - Pre-construction through Arizona Community Fund (ACF)
 - Direct lending in partnership with ACF

Phoenix Community Development & Investment Corporation

- Gap Financing for 4% LIHTC

Community Enhancement Corporation (501c3)

- Workforce Housing Financing

Other

- Donations/gifts to Special Purpose Entities
- Local or federal grants
- Workforce Housing funders such as WISE Ventures, National Equity Fund, banks, and pension funds.
- Identify and collaborate with other funding sources such as ACF, Vitalyst, LISC, HOME Matters, Arizona Housing Fund, etc.

Outcomes (green=complete)

Short-Term (12 months or less)

Outcome 1	Revise Home in Five program with lower interest first mortgage options by June 30, 2023.
Outcome 2	Form a 501c3 Special Purpose Entity by September 29, 2023
Outcome 3	Complete the purchase and sale of Isaac School District Property by August 31, 2023.
Outcome 4	Work with ADOH and Developers to support and encourage the conversion of unsuccessful 9% LIHTC applications to 4% for projects located in the City of Phoenix in Summer/Fall 2023.
Outcome 5	Engage a Real Estate firm or otherwise search for properties suitable for land banking for affordable housing, workforce housing, and manufactured housing by December 31, 2024.
Outcome 6	Monitor city and state RFPs for affordable housing development and work with developers to finance/facilitate development.
Outcome 7	Create a model for the purchase and sale of SDRE and communicate that with school districts, ADOH, community organizations, and housing developers by October 31, 2023.
Outcome 8	Add a manufactured housing option to the Home in Five program for FHA & VA loans by October 31, 2023.
Outcome 9	Issue single-family mortgage revenue bonds by November 30, 2023.
Outcome 10	Fund, staff, and otherwise render Special Purpose Entity operational by January 31, 2024.
Outcome 11	Engage in and provide commitments to support the Phoenix Housing Department on Choice Neighborhoods planning and redevelopment efforts in Edison Eastlake and Marcos de Niza by June 30, 2024.

Outcome 12	Identify alternative financing tools, including federal and State grants, for workforce housing, affordable housing, and manufactured housing by December 31, 2024.
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Long-Term (1-5 years)

Outcome 1	Utilizing the 501c3 or bond financing, structure and participate in 3-5 affordable housing developments in the City of Phoenix preferably utilizing city or school district-owned land.
Outcome 2	Utilizing the 501c3 and other alternative financing funds or tools, structure and participate in 3-5 workforce housing developments in the State of Arizona.
Outcome 3	In partnership with a Community Land Trust or other long-term affordable ownership structure, participate in 1-2 manufactured housing subdivisions intended to provide homeownership opportunities for low-income households.
Outcome 4	In partnership with community banks focused on receiving CRA credit, create a revolving line of credit for small homebuilders.