



City Council Report

Date: February 28, 2019
To: City Council
Through: Natalie Lewis, Deputy City Manager
Ruth Giese, Community Service Director
From: Elizabeth Morales, Housing and Community Development Director
Subject: Low Income Tax Credit Project Letter of Support and HOME Funding
(Council District 5)

Purpose and Recommendation

The purpose of this report is to request City Council's direction for a letter of support for the Low Income Housing Tax Credit (LIHTC) application to the Arizona Department of Housing (ADOH) for "Broadway & Hawes Senior Housing Development in Mesa" which would be located at approximately 307 South Hawes Road, Mesa, AZ. If the project is supported a request is also made for the City Council to provide a conditional approval of \$500,000.00 in funding from HOME Program for the project.

Background

LIHTC program was created to promote the development of affordable rental housing for low income individuals and families. LIHTC is the single most important federal resource available to support the development and rehabilitation of affordable housing. Nationwide it finances about 90 percent of all new affordable housing development. The federal tax credits are allocated to the Arizona State Housing Finance Agency at Arizona Department of Housing (ADOH). ADOH sets the guidelines, review of applications and allocation of the tax credits to the selected projects. Developers receiving an award use the tax credits to raise equity capital from investors in their developments. The tax credits are claimed over a 15-year period, but the property must be maintained as affordable housing for a minimum of 30 years. LIHTC properties must be affordable for people earning no more than 60 percent of the area median income (AMI). When reviewing the projects, ADOH requests letters of support from the jurisdiction where the project will be developed.

The City of Mesa requires projects applying for LIHTC in Mesa, AZ to submit their intent with project information to the Housing and Community Development division. This requirement was put into place to ensure City Council and City Management have time to review and discuss projects to determine if a letter of support will be given to ADOH for a project.

HOME Program provides funding for construction or for gap financing for the development of either homeownership or rental housing. The following funding is available for Fiscal Years 2018/2019 and 2019/2020:

Available HOME Funding Per Fiscal Year

2018/2019 \$500,000

2019/2020 \$837,000

Applications may be submitted for this program year-round rather than a specific application period.

Discussion

Project Information

The proposed development's current address is 307 South Hawes Road, located at the North-Eastern corner of E. Broadway Road and S. Hawes Road. The site is approximately 8.692 acres and is currently zoned RM-4. The proposed development includes 237 affordable and senior designated residential rental units located within an elevator serviced, three-story building. Mesa Leased Housing Associates I, Limited Partnership has submitted and received comments from City staff elating to their site plan review. City staff reviewed the intended use of the building and it fits within the existing zoning designation. Per the City of Mesa Planning Process, notification letters were mailed to the surrounding community. Two public hearings were held. The first hearing there was one question related to clarification on the project. The second hearing was held but no residents were present.

Related Sponsor – Dominion

Dominium Group, Inc. is the related sponsor to the owner (Mesa Leased Housing Associates I, LP). The Dominion portfolio consists of a variety of multifamily products. Today, approximately 90% of Dominion's portfolio is comprised of affordable rental communities, primarily Section 42 Tax Credit developments, that serve both family and elderly residents. Dominion owns and operates over 30,000 apartment homes, and has worked with lenders and investors, as well as local, state and federal agencies, as a partner in the development of quality affordable housing throughout the United States.

Project Address: 307 S. Hawes Road

Developer: Mesa Leased Housing Associates, LP

Total Development Cost (TDC): \$55,038,886

Total Construction Cost: \$38,508,178

Total # Units: 237

93 Units: 1bdm/1bth

126 Units: 2bdm/2bth

18 Units: 3bdm/2bth

Total # Market Rate Units: 0

Project Financing - Conditional or Application Pending:

LIHTC Credits: \$21,000,000

ADOH: \$2,000,000

City of Mesa: \$500,000

Private Financing: \$31,538,866

HOME funds request

There are two funding requests for HOME funds. Due to the timing of the requests, the project, Mesa Leased Housing Associates, LP, has been reviewed and scored by the Housing and Community Development Advisory Board. The second request from Chicano's Por La Causa, submitted a proposal for the Mesa Royale project. This proposal review is underway and will be scored by HCDAB on February 27 and 28, 2019. Both developers are requesting \$500,000 from City of Mesa HOME funding. There is enough funding to support both projects.

Alternatives

- A) Agree to conditionally approve \$500,000 in HOME funds for Broadway & Hawes Senior Housing Development in Mesa and provide a letter of support to ADOH for LIHTC application
- B) Support project to ADOH for LIHTC application but not provide HOME Funding.
- C) Not support the project for LIHTC application.
- D) No action by Council will have same result as stating the Broadway & Hawes Senior Housing Development project will not be supported.

Fiscal Impact

There is no financial impact to the City's General Funds as HOME projects are supported by federal funds.

Coordinated With

The Housing and Community Development Advisory Board supports funding this project. Attachment A, Housing and Community Development Board Score Summary, provides an average of the total scores and comments.