



City Council Report

Date: March 23, 2026

To: City Council

From: Candace Cannistraro, Deputy City Manager

Subject: Option to Lease and Option to Purchase, Ground Lease and Option to Purchase, and Purchase and Sale Agreements for Senior Affordable Housing Project
City Council District No. 4

Purpose and Recommendation

Staff recommend that City Council approve the City Manager to enter into an option to lease and option to purchase agreement with Helix Apartments, LLC for development of approximately 0.92 acres of City-owned land located on University Drive, west of Center Street as affordable senior housing. The lease option would grant Developer an exclusive option to enter into a long-term ground lease for the property, which may be exercised only if Developer receives a LIHTC award during the 2026 or 2027 LIHTC application cycles. If a ground lease is executed, it would also grant Developer the option to purchase the property at year 25 of the ground lease.

Background

Helix Apartments, LLC (“Developer”) is an affiliate of Commonwealth Development Company, which has experience developing affordable housing developments across the US, including several in Arizona. In 2024, the City endorsed Commonwealth’s application for Low-income Housing Tax Credits (LIHTC) with the State for 62 units of senior affordable housing on the subject property. Commonwealth received favorable responses to the proposed project during its community outreach. City HOME funds were identified for the project to provide gap financing and to earn additional points on the LIHTC application. Despite a strong application and favorable community response, the project narrowly missed the LIHTC funding cutoff. A competitive advantage is achieved (additional points) in the LIHTC application process if a project leases land from a government entity.

The parcel in question is in an ideal location for senior affordable housing due to the proximity to the downtown senior center. It is off the northeast corner of the senior center across a residential road. On November 5, 2024, City Council approved the purchase of the property for future senior affordable housing with a purchase price of \$2.1M. Federal funding was used for the purchase from the Neighborhood Stabilization Program (NSP). The city received NSP funding in 2009 and 2011. The program was developed to address the negative impact of foreclosure and vacant properties. During that time, the City purchased foreclosure and/or blighted properties, renovated them, and resold them under market value to income-eligible individuals.

The program had been inactive for many years. The remaining NSP funds were a combination of original funds and program income, for a total of \$1,920,268. The remaining funding of \$184,554 was from a developer reimbursement of HOME (Home investment partnership programs) dollars.

Discussion

Seniors are one of the fastest growing populations of homeless individuals. This opportunity allows the city to leverage the site's proximity to the existing senior center for development of approximately 62 senior affordable housing units. Commonwealth has developed a partnership with Aster Aging, located in the Senior Center, to provide programming services for the residents.

The City would enter an option to lease and option to purchase agreement ("Option Agreement") with Helix Apartments, LLC. The Option Agreement would grant Developer an exclusive option to enter into a long-term ground lease for the Property ("Lease Option"), which may be exercised only if Developer receives a LIHTC award during the 2026 or 2027 LIHTC application cycles. If Developer wants HOME funding, the property would also be required to pass environmental review prior to exercise of the Lease Option. The Lease Option sets forth the material terms of the transaction agreed to by City and Developer, including certain minimum terms for the Ground Lease and Purchase Option. If the Lease Option is exercised, Developer and City would negotiate and enter into a ground lease for the property ("Ground Lease") that would include an option for Developer to purchase the Property, subject to certain requirements being met ("Purchase Option"), including the parties entering into a purchase and sale agreement for the Property whereby the City will sell the Property to Developer ("Purchase Agreement").

The minimum terms to be included in the Ground Lease and Purchase Option are as follows:

- a. A 50-year initial term with an option for Developer to renew for an additional 25-year term.
- b. An annual rent of \$1,200 during the construction phase, increasing to \$23,999.88 upon issuance of a certificate of occupancy. An annual rate of \$24,000 is the maximum rent allowed by ADOH for Developer

to receive points for leasing the land from a governmental entity. The revenue received from the annual rent would help defray City's oversight costs regarding the Project. The annual rent would increase to fair market value if the lease is renewed for an additional 25 years.

- c. The Project shall consist of 62 multifamily units for seniors with incomes between 30% and 60% Area Median Income, with affordable unit rents determined in compliance with LIHTC and HOME regulations.
- d. The Project units shall remain affordable for 50 years, with the affordability period extended for any length of time for which the lease is extended. This is significantly longer than the minimum LIHTC affordability of 15 years. Agreeing to a longer affordability period provides extra points during the LIHTC application process.
- e. Developer has an option to purchase the Property at the fair market value of the land beginning at year 25. City would record a restrictive covenant against the Property to keep it affordable for the remainder of the 50-year affordability period. If the Ground Lease expires without Developer exercising its option to purchase, ownership of all improvements reverts to the City.
- f. Developer shall maintain a partnership with a social services agency that provides services to seniors.
- g. Developer shall comply with all LIHTC and HOME requirements with failure to do so constituting default under the Ground Lease.

If the developer is not awarded LIHTC in the 2026 cycle, they retain the option to lease through the 2027 cycle. If Developer is awarded LIHTC, they are required by the State to submit building plans to the City December 31 of the award year and to begin construction by December 31 of the following year. If Developer is not successful in either the 2026 or 2027 cycles, the Lease Option will expire, and the city will consider other options.

Alternatives

Other options for the land could be considered. Prior developers have considered this site for market rate housing and were not able to move forward. The City purposefully acquired this site for the development of senior affordable housing next to the Senior Center through a private/public partnership.

Fiscal Impact

The fiscal impact is positive for the city; \$24,000 per year in lease revenue, construction sales tax during the construction of the site, and on-going utility sales once occupied.

Construction costs for development of the property and on-going operational costs are the responsibility of Commonwealth.

Coordinated With

City Manager's Office, Community Services, City Attorney's Office