

Grantee: Phoenix, AZ

Grant: B-11-MN-04-0505

October 1, 2011 thru December 31, 2011 Performance Report



Grant Number:

B-11-MN-04-0505

Obligation Date:**Award Date:****Grantee Name:**

Phoenix, AZ

Contract End Date:

03/09/2014

Review by HUD:

Reviewed and Approved

Grant Amount:

\$16,053,525.00

Grant Status:

Active

QPR Contact:

Chris Hallett

Estimated PI/RL Funds:**Total Budget:**

\$16,053,525.00

Disasters:

Declaration Number

No Disasters Found

Narratives

Summary of Distribution and Uses of NSP Funds:

Arrest blighted conditions in neighborhoods and reconnect these areas with the economic, housing market, and social networks of the community. This includes:

- \$5,851,510 for acquisition/rehabilitation and re-sale of 39 foreclosed homes.
- \$216,723 for demolition of 4 blighted, vacant and foreclosed properties for infill housing development.

Assist Qualified Homebuyers:

- \$1,155,854 for Direct Homeownership Assistance and other incentives for 50 eligible homebuyers who will own and occupy foreclosed homes as their primary residence.

Preserve affordable rental opportunities through acquisition and rehabilitation of foreclosed multi-family properties for affordable rentals. This includes:

- \$7,224,086 will assist:
 - o 95 households at or below 50% of median income
 - o 76 households at or below 120% of median income

Administration. Up to 10% of the allocation, or \$1,605,353, will be used for management and administration of the program to assure all goals are met in compliance with all applicable requirements.

How Fund Use Addresses Market Conditions:

The City of Phoenix has taken great care to assess and define target areas for NSP3. The target areas proposed were selected based on greatest need, with a composite needs score of approximately 19.1. Most target areas identified have a needs score of 20. In addition to greatest need, the City also considered target areas that would continue the momentum generated by NSP1 and NSP2 efforts. While the impact in the selected NSP3 target areas is anticipated to be lower than the 20% requested by HUD, the City of Phoenix believes, based on market research and sound principles of neighborhood revitalization, the areas selected present the best opportunities for stabilization and/or homeownership moving forward. The housing market in Phoenix has yet to hit bottom. As such, overall market conditions remain unstable and the need for intervention continues to significantly outpace resources, even those provided through NSP.

Ensuring Continued Affordability:

The City of Phoenix Neighborhood Stabilization Program will ensure continued affordability for NSP-assisted housing by adopting the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f) {for rental units} and 92.254 {for homeownership units}. The affordability period for NSP-assisted acquisition or acquisition/rehab of rental and homeownership units will, at a minimum, meet the HOME standard: Per-unit NSP Assistance and Minimum Affordability Period up to \$15,000 5 years \$15,000 - \$40,000 10 years above \$40,000 15 years Rent and occupancy agreements for rental properties will be enforced through deeds of trust, covenants running with the property, deed restrictions or other mechanisms approved by HUD. Homeownership units will be subject to the recapture option for NSP assistance, secured by deeds of trust on the assisted units. NSP homebuyer assistance programs may provide for recapture of NSP assistance beyond the minimum HOME affordability period.



Definition of Blighted Structure:

As defined by the September 29, 2008 regulations on the Neighborhood Stabilization Program, a structure is blighted "when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare." This is consistent with state and local laws regarding slum and blight. The City of Phoenix Neighborhood Preservation Ordinance, City Code, Part II, Chapter 39, Article III, Section 39.3 defines blight as follows: "Unsightly conditions including accumulation of debris; fences characterized by holes, breaks, rot, crumbling, cracking, peeling or rusting; landscaping that is dead, characterized by uncontrolled growth or lack of maintenance, or is damaged; any other similar materials as flexible or inflexible screening, fencing, or wall covering upon a residential lot; regardless of the condition of other properties in the neighborhood." The Neighborhood Preservation Ordinance (City Code, Part II, Chapter 39, Article IV, Section 39.25) also allows for demolition in extreme cases of vacant, blighted properties based on the following eligibility criteria: • Vacant for over a year, or • Significant Code Violations resulting in substandard conditions, or • Detrimental to the health and safety of the neighborhood as determined by applicable City Codes and approved by the Administrator (of the Preservation Division) or designee. The City of Phoenix Neighborhood Stabilization Program will use the above City Code definition as well as these criteria in determining when a structure is blighted and will follow the allowed abatement action.

Definition of Affordable Rents:

The City of Phoenix NSP3 will comply with the HOME Investment Partnership Program Final Rule at 24 CFR 92.252 for the purpose of establishing the rents for 50% and 60% of area median income households. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. The City of Phoenix has established HOME rents for the Phoenix jurisdiction which are lower than the HUD limits. The City of Phoenix Neighborhood Stabilization Program will include both rent schedules and has the administrative authority to make a decision as to which rent schedule it will utilize on a project-by-project basis.

Housing Rehabilitation/New Construction Standards:

The City of Phoenix rehabilitation and new construction standards for NSP assisted projects include the following requirements: All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories will be designed to meet the standard for Energy Star Qualified New Homes. All gut rehabilitation or new construction of mid -or high-rise multifamily housing will be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (the Energy Star standard for multifamily buildings piloted by the EPA and the Department of Energy). Other rehabilitation will meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products. WaterSense label, will be installed. Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

The City of Phoenix will include energy efficient and environmentally-friendly green elements. The "greening" standards are implemented whenever cost effective by doing an energy audit to reduce energy costs to the client in a cost effective manner. We have also implemented Green Demo Standards for potential bidders in accordance with Leadership in Energy and Environmental Design (LEED) recycling and waste management policies for all waste materials removed from the subject properties as a result of construction and demolition activities. In addition, the NSP3 Move & In Ready projects will incorporate solar equipment where feasible to assist in lowering the cost of energy for the program and a potential homebuyer.

Vicinity Hiring:

The City will require by contract that all contractors outreach to persons and businesses in the vicinity of the project as defined by HUD and to the maximum extent possible hire persons and utilize small businesses owned and operated by persons in the vicinity of the project. Information on existing local ordinances, if any, that address these requirements shall be provided.

Procedures for Preferences for Affordable Rental Dev.:

The City of Phoenix is committed to the development of affordable rental housing using NSP3 funds. At least 45% of the allocation will be used to acquire and rehabilitate foreclosed rental property.

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Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$16,053,525.00
Total Budget	\$0.00	\$16,053,525.00
Total Obligated	\$0.00	\$0.00

Total Funds Drawdown	\$0.00	\$0.00
Program Funds Drawdown	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Total Funds Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$2,408,028.75	\$0.00
Limit on Admin/Planning	\$1,605,352.50	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$1,605,352.50	\$1,605,352.00

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$4,013,381.25	\$4,013,382.00

Overall Progress Narrative:

Multifamily Acquisition/Rehabilitation &dash

Preserve affordable rental opportunities through acquisition and rehabilitation of foreclosed multi-family properties for affordable rentals. This will assist in meeting the NSP 3 strategy of allocating 25% of the funds, or Activity 4 with \$4,013,382 to assist households below 50 percent of median income. An additional \$3,210,704 is allocated to this goal in Activity 5, representing approximately 45% of the award for this purpose.

The Housing Department is identifying projects for the NSP3 Multifamily acquisition and rehabilitation allocation of funding. The department has received an application from the Gorman & Company, Inc. requesting up to \$4,000,000 in NSP funds to assist with the acquisition and rehabilitation of Cochise Garden Apartments, located at 1025 West Cochise Drive, Phoenix, AZ 85021. The 56-unit complex, built in 1984, consists of 10 one-bedroom/one-bathroom units, 30 two-bedroom/one-bathroom units and 16 two-bedroom/two-bathroom units. Cochise Garden Apartments is a bank-owned foreclosed property.

The rehabilitation is expected to include painting of the exterior and interior, replacement of cabinets and countertops, new plumbing fixtures, and replacement of windows and doors. In addition, 5 percent of the ground floor units will be made physically accessible and green strategies will be incorporated to include hard surface flooring throughout the property, low and zero VOC adhesives, Energy Star appliances, increased shade through the use of landscape screening, low water use plants/Xeriscaping, and low flow toilets and fixtures.

The total project cost is estimated at \$4,809,500 and will be financed with the City NSP loan and private loans. The City loan is expected to be paid back on a cash flow basis for a term of 30 years with a 0 percent interest rate and an affordability period of 30 years. It is anticipated that the project will have at least 47 units set-aside for



households at or below 50 percent of the Area Median Income.

Staff is finalizing its underwriting of the project. The funding allocation was approved by the City Council on October 19, 2011. An environmental review is being conducted and Release of Funds is expected in early January. If all clearances and approvals are received, closing is anticipated in early to mid-January, 2012. Acquisition will be funded utilizing NSP2 and rehabilitation funded through NSP3.

Work has not begun on the Homeownership Assistance Program or the Move In Ready Program.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
ADM, Administration and Planning	\$0.00	\$1,605,352.00	\$0.00
DEMO, Acquisition/Demolition/Disposition	\$0.00	\$216,723.00	\$0.00
HAP, Homeownership Assistance	\$0.00	\$1,155,854.00	\$0.00
MF LH25, MultiFamily Acquisition/Rehab LH25	\$0.00	\$4,013,382.00	\$0.00
MF LMMH, Multi Family LMMH	\$0.00	\$3,210,704.00	\$0.00
MIR, Move-In Ready	\$0.00	\$5,851,510.00	\$0.00



