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# MEMORANDUM

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Date: May 22, 2023

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: Jan Leshner   
County Administrator

Re: **Additional Information for the June 6, 2023 Board of Supervisors Meeting – Pima County Regional Affordable Housing Gap Funding Recommendations**

In January, the Pima County Regional Affordable Housing Commission approved [a framework](#) for spending \$5 million of County funding budgeted for affordable housing, including the allocation of up to \$4 million in “gap funding” to leverage additional funds for the development, preservation and rehabilitation of affordable housing. To that end, the Commission endorsed a process developed by staff to solicit proposals, including a [summary, application guide and application](#).

Attached please find a memorandum from Community & Workforce Development Director Dan Sullivan that summarizes the process and outcomes of this solicitation. The Commission unanimously supported the review panel’s recommendation to award \$2,650,000 in County funds to two of seven responsive applications. These two proposals would result in the 203 affordable units, and leverage an additional \$50 million in total development costs.

Two protests have been received and are currently under review. It is anticipated that this review will conclude before the Board of Supervisors’ June 6, 2023 meeting. If this review results in changes to these recommendations, supplemental information will be provided to the Board for consideration. If the Board approves the award of funds, staff will then negotiate and develop the appropriate contracts for these projects, which will then be placed on a future Board agenda for consideration.

JKL/anc

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator  
Francisco García, MD, MPH, Deputy County Administrator and Chief Medical Officer  
Steve Holmes, Deputy County Administrator  
Dan Sullivan, Director, Community and Workforce Development  
Jenifer Darland, Deputy Director, Community and Workforce Development  
Andy Flagg, Deputy Director, Community and Workforce Development  
Nicole Fyffe, Senior Advisor, Pima County Administrator’s Office  
Cassie Lundin, Housing Commission Coordinator

Date: May 19, 2023

To: Jan Leshner  
County Administrator

From: Dan Sullivan   
Community & Workforce Development  
Director

Francisco García, MD, MPH  
Deputy County Administrator and  
Chief Medical Officer

Re: **Pima County Regional Affordable Housing Gap Funding Recommendations**

The Pima County Regional Affordable Housing Commission voted unanimously on May 5, 2023 to endorse staff recommendations to the Board of Supervisors for FY 22-23 a total of \$2,625,000.00 in “gap funding” for two projects totaling 203 affordable housing units. Remaining unallocated funding in the amount of \$1,375,000 will carry over into FY23-24.

### **Background**

In January 2023, the Commission approved allocating \$4 million of the total \$5 million in FY22-23 funding for affordable housing to providing gap funding for projects that meet housing affordability for a period of 30 years across the housing spectrum including: development, preservation, and rehabilitation for both rental and homeownership opportunities to households at or below 80% of the Area Median Income (AMI) level in Pima County. In order to select projects for funding, the Commission endorsed a Request for Proposal (RFP) of Affordable Housing Gap Funding at their January 27, 2023 meeting.

Community and Workforce Development (CWD) began the RFP process on January 31, 2023 with publication in local newspapers and on the CWD website noticing the public that the department was seeking applications from qualified for-profit and non-profit developers, contractors, builders, governmental agencies, and partnerships, for the development and/or preservation of affordable housing.

CWD provided a Technical Assistance session on February 6, 2023 where 13 representatives from various proposers asked a number of questions specific to the RFP related to various projects. Subsequent inquiries from proposers were process asked and answered, with responses posted and updated on the [webpage](#) for public view. The deadline to submit proposals was March 1, 2023.

### **Proposals and Evaluation**

The department received a total of 7 applications seeking gap funding for the development and/or preservation of affordable housing. This included projects at various phases of development, such as construction, renovation, and preservation. In total, the 7 proposals included projects proposing 715 affordable housing units and seeking total funding of \$10,025,000.00.

The evaluation panel, listed below, consisted of subject matter experts in housing and community resources, community development, development services, and workforce development/commercial banking. Scores were evaluated based on degree of leverage for the project, affordability based on area median income households, accessibility, energy efficiency, and project readiness. In accordance with the RFP, proposals meeting the minimum threshold of average 110 points would advance for recommendation.

| <b>FY22/23 COUNTY GAP FUNDING REVIEW PANEL</b> |                               |
|--|-------------------------------|
| Deputy Director, Jen Darland                   | Housing & Community Resources |
| Deputy Director, Rhonda Piña                   | Workforce                     |
| Division Manager, Joel Gastelum                | Community Development         |
| Program Manager, Thomas Drzazgowski            | Development Services          |

After review of the scores and their averages, the evaluation panel met and reached consensus to recommend for award the two highest scoring proposals, with a technical assistance session available to the proposers who did not meet the minimum threshold.

**Recommendations to the Regional Affordable Housing Commission**

On May 5, 2023 staff sought Commission endorsement of the following proposals for recommendation to the Board of Supervisors:

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| <b>DEVELOPER:</b>                          | Southwest Non-Profit Housing Corporation   |
| <b>PROJECT NAME:</b>                       | Rio Mercado  |
| <b>TYPE:</b>                               | New Construction – Rental Units  |
| <b># OF AFFORDABLE HOUSING UNITS:</b>      | 107  |
| <b>FUNDING AMOUNT REQUESTED:</b>           | \$2,125,000.00   |
| <b>TOTAL DEVELOPMENT COST:</b>             | \$33,872,000.00  |
| <b>COUNTY FUNDING PERCENTAGE OF TOTAL:</b> | 6.27%  |
| <b>JURISDICTION OF PROPERTY:</b>           | BOS District 2<br>City of Tucson, Ward 5<br>Pima College District 2<br>Sunnyside Unified School District                     |
| <b>OTHER FUNDING:</b>                      | Arizona Department of Housing – 4% LIHTC<br>Arizona Department of Housing – State Housing Funds<br>City of Tucson HOME funds |

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|--|---|
| <b>DEVELOPER:</b>                          | Family Housing Resources  |
| <b>PROJECT NAME:</b>                       | Talavera Apartments   |
| <b>TYPE:</b>                               | Preservation - Rental Units   |
| <b># OF AFFORDABLE HOUSING UNITS:</b>      | 96  |
| <b>FUNDING AMOUNT REQUESTED:</b>           | \$500,000.00  |
| <b>TOTAL DEVELOPMENT COST:</b>             | \$18,928,141.00   |
| <b>COUNTY FUNDING PERCENTAGE OF TOTAL:</b> | 2.64%   |
| <b>JURISDICTION OF PROPERTY:</b>           | BOS District 3<br>City of Tucson, Ward 3<br>Pima College District 3<br>Flowing Wells Unified School District  |
| <b>OTHER FUNDING:</b>                      | Arizona Department of Housing – 4% LIHTC<br>Arizona Department of Housing – State Housing Funds<br>City of Tucson HOME funds<br>City of Tucson Project Based Vouchers |

The Commission voted unanimously to endorse the staff recommendation. These two projects would provide a total of 203 affordable housing units, with \$2,625,000.00 in total gap funding from FY 2022-2023. Staff recommended the remaining balance of affordable housing gap funds carryforward to FY 2023-2024 in the amount of \$1,375,000.00. Staff will prepare a draft timeline for review of the Commission for the next iteration of gap funding at their July or August meeting.

#### **Notice of Recommendation For Award**

CWD published the [Notice of Recommendation For Award on May 12, 2023](#). Protests were required to be submitted in writing on or before May 19, 2023 by noon. By designation of CWD Director Dan Sullivan, protests in proper form and received by deadline were reviewed by Pima County Economic Development Director, Heath Vescovi-Chiordi. As of May 18, 2023, two protests have been received and are currently under review following the published process.

Following the NORFA period, CWD will work with representatives of the awarded projects, staff from partner departments, and the Pima County Attorney to develop contracts that include project scope, measurable milestones of project completion, and assurances that the project will be constructed in accordance with the awarded proposal. These contracts will be presented to the Board of Supervisors for approval.

#### **Moving Forward**

Staff will draft the next RFP taking into account feedback received from Commissioners and review-panel members that balances the urgency of funding viable projects with more community collaboration. The new RFP, along with a proposed timeline and funding amount, will be presented to the Commission for review and comment following the Board's action on the FY23-24 County budget. Additionally, at the direction of the Commission and County Administrator, one non-conflicted Commissioner will be a member of all future evaluation panels.

#### **Conclusion**

Staff recommend that the 2 endorsed projects detailed above advance to the Board of Supervisors for approval so staff can enter into contract negotiations for the projects. By approving the recommendations, the Board will ensure that 203 affordable housing units are available for those most in need in our community.