



JANUARY 21, 2015

TO: C.H. Huckelberry, County Administrator

FROM: Hank Atha, Deputy County Administrator

CC: Margaret M. Kish, Director, Betty Villegas, Program Manager, Affordable Housing

RE: Resolution for February 17, 2015 Board of Supervisors Agenda Addendum  
West End Station 2015 Arizona LIHTC Application/Pima County GO Bond Funding

**Recommendation and Summary:**

On December 15, 2014, the Pima County Housing Commission made a motion to recommend the new West End Station project receive an allocation of \$769,518.00 of General Obligation Affordable Housing Bond Program Funds contingent on the award of 9% Low Income Housing Tax Credits by the Arizona Department of Housing (ADOH) from their 2015 funding round. The LIHTC funding applications are due on March 2, 2015. Awards will be announced no later than July 2015. Upon award of the LIHTC, developers shall proceed with the processing and execution of necessary funding agreements with Pima County as well as all the other funding sources. Once all financial agreements are finalized, project construction should begin in October, 2015. In the event that the LIHTC funding is denied, then the Housing Commission recommendation is rescinded and funds will be available to allocate to other feasible eligible projects.

The Gadsden Company (Tucson) has partnered with co-developer, Gorman & Company (Phoenix Branch; Oregon, WI headquarters) and has structured the project's financing for the ADOH's 2015 competitive 9% LIHTC funding program which if awarded will provide a greater amount of private capital for the project and allow for a better mix of rental unit types which will serve a greater range of eligible low income households whose rents will be reduced accordingly to household income level (40%, 50% and 60% AMI). West End Station LLC (WES) is new partnership being formed between Gadsden Company and Gorman & Company that will apply for the 9% LIHTC from ADOH and if awarded, WES will own and operate the project subject to the 2015 9% LIHTC award.

In addition to the 9% LIHTC funds, this project will leverage Federal HUD HOME Program Funds of \$1,885,000 already committed to the project from the City of Tucson as well as \$750,000 in State housing funds from ADOH. The 9% LIHTC's are awarded competitively, however the project will score very highly under the 2015 ADOH Qualified Allocation Plan (QAP) due to the projects' location along the Sun Link modern streetcar line and also due to the commitment of County G.O. Bond funds, combined with the commitment of City HOME funds.

**Department:** Community Development and Neighborhood Conservation  
**Funding Source:** G.O. Bonds - Affordable Housing Reinvestment Bond Program - CDD.HR4001  
**New Funding Amount:** \$769,518.00 **Term:** 7/1/2015 – 6/30/2017

**Funding Purpose:**

Construction of 94 low and very low income restricted residential apartments which will include community facilities available to the low income tenants. The Resolution committing bond funds to The West End Station Project will allow the developers to apply for the 9% LIHTC's with the Arizona Department of Housing. If project is awarded 9% LIHTC's from ADOH, then County Bond funds will be used for vertical construction of affordable housing units upon successful negotiation and execution of a County Funding Agreement which will be prepared once the 9% LIHTC award is confirmed.

**Program Goals/Predicted Outcomes:**

Within two years, construction of 94 new, energy efficient, transit-oriented, affordable rental units consisting of 2 studio units, 28 one-bedroom units, 32 two-bedroom units and 32 three-bedroom units that will provide housing for 378 people.

**Public Benefit:**

Affordable Rents for 94 low-income households (378 people) in Pima County; rents will remain affordable for 30 years; quality rental housing in a transit-oriented development, providing low income households access to employment and health care centers, community services, shopping and other essential amenities that will support a high quality of life otherwise not available to this income group at this location.

**Metrics Available to Measure Performance:**

- Annual project site visits and tenant file reviews to ensure preservation of units and eligibility of tenants.
- Performance Deed of Trust requiring units remain affordable to low-income families for 30 years.

Approved: C. Huckelberry 2/11/15  
 C.H. Huckelberry Date

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 COMMUNITY DEVELOPMENT



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# MEMORANDUM

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Date: February 5, 2015

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

From: Frank Moreno, Chair  
Pima County Housing Commission

Re: **Recommendations from the Pima County Housing Commission for funding of an Affordable Housing Project known as the *West End Station* with 2004 Affordable Housing G.O. Bonds totaling \$769,518.00**

## Background

In May 2004 voters approved General Obligation Bonds in the amount of \$10 million dollars designated for the development and construction of affordable housing. The initial process included a Request for Applications announced in March 2005. Since that time the affordable housing program application process remained open and proposals have been accepted and reviewed on a continuous basis. A total of 21 requests have been reviewed by the Affordable Housing staff and the Pima County Housing Commission resulting in 18 projects receiving approval by the Board of Supervisors in the amount of \$8,991,836.00.

The Housing Commission has held several reviews of a proposal by the Gadsden- Mission District Partners for the West End Station project first submitted in November of 2008 as well as subsequent modifications to the original project. Due to the complexity of the funding mechanisms, the project has changed over time. The Pima County Board of Supervisors approved a recommendation from the Housing Commission to set aside the requested funds in the amount of \$769,518.00 for the project and to allow the developers until January 31, 2014 to secure all additional funding commitments. As of February 1, 2014, the proposal was considered expired for further consideration by the Board of Supervisors.

On December 15, 2014, the Pima County Housing Commission reviewed a new funding proposal from the West End Station LLC, which included proposed Low Income Housing Tax Credits from the State of Arizona. The new West End Station ("WES") is a proposed transit oriented housing development located just west of downtown in the Menlo Park Neighborhood, at the western terminus of the new Sun Link Streetcar system. The Project Owner/Developer will be the **West End Station LLC**, which is a partnership between the *Gadsden Company LLC* and *Gorman & Company Inc.* The Gadsden Company, a Tucson based firm selected by the City of Tucson as the developer of the 14-acre Mission District master site, which includes WES, is the current property owner and co-developer. Co-developer Gorman & Company, Inc. is a Wisconsin based firm and has over 30 years of experience in developing workforce housing and neighborhood revitalization projects. Gorman has office locations in multiple states and has received several national awards.

The new proposal includes an increase in the number of 3 bedroom units and a significant reduction in studio units, which had been a discussion point by the Housing Commission in prior project reviews. WES is a proposed transit oriented housing development, which will feature 94 newly constructed, affordable, energy

efficient rental-housing units. The project will consist of two (2) studios, twenty-eight (28) one bedroom, thirty-two (32) two bedroom and thirty-two (32) three bedroom units that will serve households with incomes at 40%, 50% and 60% of area median income. WES will include approximately 6,700 square feet of indoor and outdoor amenity space to include a fitness center, computer lab, theatre, leasing office, counseling space and a multi-purpose room. A parking garage will also be included with covered parking.

The full Commission made a conditional motion to recommend that the West End Station receive an allocation of \$769,518.00 in General Obligation Affordable Housing Bond Program funds based upon the pending staff underwriting and the approval by a Housing Commission sub-committee. The sub-committee met on January 14, 2015 and voted unanimously to approve the project – thus making the December 15, 2014 motion final.

### **Recommendations**

The members of the Pima County Housing Commission recommend that the Board of Supervisors approve funding for the *West End Station* project with specific conditions set forth as follows and in the attached Resolution and project summary:

1. Approval of a funding Resolution (attached) for the West End Station project in the amount of **\$769,518** in County Affordable Housing Bond funds for the new construction of ninety-four (94) multi-family, rental units to be leased to qualified low-income households.
2. This funding recommendation is contingent upon the award of Arizona Department of Housing 9% Low Income Housing Tax Credits (LIHTC) from their **2015** funding round. The LIHTC funding applications are due on or about March 2, 2015 and funding awards will be announced no later than July 2015.
3. Should the project be awarded the ADOH LIHTC, developers shall proceed with processing and executing all necessary funding documents with the other identified funding sources. Once verified, County staff shall proceed with the execution of a funding agreement and other required legal documents on behalf of Pima County.
4. Once all funding agreements, including the Board of Supervisor's execution of the County GO Bond funds are in place, project construction will commence with an estimated start date of October 2015.
5. In the event that the ADOH LIHTC funding is denied, then the Housing Commission recommendation and the accompanying Board Resolution will be automatically rescinded. The **\$769,518** in funding will become available to the Commission to determine a process for the allocation of GO Bond funds to another eligible project or projects.

### Attachments

cc: Chuck Huckelberry, County Administrator  
Hank Atha, Deputy County Administrator for Community and Economic Development  
Margaret Kish, Community Development and Neighborhood Conservation Director  
Betty Villegas, Affordable Housing Program Manager

## AFFORDABLE HOUSING APPLICATION SUMMARY

**Applicant:** West End Station LLC (Gadsden Company, LLC and Gorman & Company, Inc.)

**Project Name:** West End Station

**Application Date:** December 9, 2014

**Housing Commission Recommendations:** approved at December 15, 2014 meeting (subject to Sub-committee underwriting review and approval which was completed on January 14, 2015).

**Sub-committee Review & Approval Date:** January 14, 2015

**Sub-committee Members:** Frank Moreno, David Greenburg, Jon Miles, Kathleen Buske

**Project Description – New Construction, Transit-Oriented, Affordable Workforce Rental Housing for low income residents working in or near Downtown Tucson and the new modern streetcar lines.**

- The *West End Station* (“WES”) is a proposed transit oriented housing development located just west of Downtown in the Menlo Park Neighborhood, at the western terminus of the new Sun Link Streetcar system; WES is also located across the street from El Rio Health Center and adjacent to the Mercado San Agustin (a new public market recently completed by Gadsden Company).
- The Project Owner/Developer will be West End Station LLC (a Wisconsin based firm, licensed to do business in AZ), which is a partnership between the Gadsden Company, LLC and Gorman & Company, Inc. Gadsden Company, a Tucson based company, is the property owner and was selected by the City of Tucson as the master developer of the 14 Acre master site known as the Mission District - which includes WES; Gadsden will serve as the co-developer for design, development and lease-up of the development. Gorman & Company, Inc., a Wisconsin based firm with over 30 years’ experience developing quality workforce housing, has been noted as one of the nation’s “*Top 50 Developers of Affordable Housing*” by Affordable Housing Finance Magazine. Gorman will serve as the lead developer and its wholly owned subsidiary, GEC WES LLC, will be the Managing Member and financial guarantor throughout the life of the project.
- WES will feature 94 newly constructed, energy efficient, affordable rental housing units consisting of 2 studios, 28 one bedroom, 32 two bedroom and 32 three bedroom units that will serve households with incomes at 40%, 50% and 60% of area median income. The project will be built to the equivalent of a LEED Gold Standard following the Arizona Department of Housing’s prescriptive path to sustainability and will include Energy Star windows, appliances and light fixtures.
- WES will include approximately 6700 square feet of indoor and outdoor amenity space to include a fitness center, computer lab, theatre, leasing office, counseling space and a multi-purpose room. A parking garage will also be included with covered parking (1 space/unit).
- Requested Activities for Bond Funding: Unit Construction (91%), Architectural & Engineering fees (9%).
- Initial Application Checklist and scoring has been completed; threshold items have been met and project is able to meet our minimum scoring requirements.
- Total Affordable Housing Units: = 94 apartments
- **Total Housing Development Costs = \$19,070,841**
- **Development Sources**

<b>769,518</b>	<b>Bond Funds Requested</b>
1,050,000	Private Mortgage Loan
14,214,575	LIHTC Investor Equity
1,885,000	City of Tucson - HUD HOME Investment Partnership Program
750,000	State of Arizona HOME Investment Partnership Program
401,748	Developer
<b>19,070,841</b>	<b>Total Sources</b>

- **Total Cost per unit = \$202,881; Construction cost per unit = \$176,285**
- **Bond \$’s per unit: \$8,186; Degree of leverage = 24:1**

**December 15, 2014 Housing Commission Recommendation:**

- **By a unanimous vote of those present, the Housing Commission voted to recommend a commitment of Housing Bonds funds in the amount of \$769,518; this recommended commitment is subject to the following conditions:**
  - 1. Sub-committee (of the Housing Commission) must review and approve staff underwriting (completed on 1/14/15);**
  - 2. An award of 2015 9% Low Income Housing Tax Credits (LIHTC's) from the AZ Department of Housing. If 2015 9% LIHTC's are not awarded this funding commitment will be rescinded.**
  - 3. If the 9% LIHTC Award is received then final G.O. Bond funding commitment will be subject to final underwriting by staff and successful negotiation of a Contract with Pima County and final contract approval by Pima County B.O.S.**

**RESOLUTION NO. 2015 – \_\_\_\_\_**

**RESOLUTION OF THE PIMA COUNTY BOARD OF SUPERVISORS SETTING ASIDE  
2004 GENERAL OBLIGATION AFFORDABLE HOUSING BOND PROGRAM FUNDS  
IN THE AMOUNT NOT TO EXCEED \$769,518.00 FOR THE WEST END STATION  
AFFORDABLE HOUSING DEVELOPMENT.**

**The Board of Supervisors of Pima County, Arizona finds:**

1. On May 18, 2004 Pima County held the 2004 Special Bond Election (“the Bond Election”) and the voters approved the issuance and sale of bonds for, among other projects, acquiring, developing, expanding, improving and equipping, new and existing facilities to further health, education, welfare and safety, including housing.
2. Pursuant to the approval of the voters at the Bond Election, the Board of Supervisors adopted Ordinance No. 2004-18, The Bond Implementation Plan For The May 18, 2004 Special Election (the “Bond Ordinance”).
3. The Bond Ordinance states the Scope of the Neighborhood Reinvestment Affordable Housing Programs as “Expand home ownership opportunities and provide access to affordable housing for low-income residents of Pima County. Encourage public-private partnerships for the development of affordable housing.”
4. Of the \$10,000,000.00 in 2004 General Obligation bonds sales authorized and designated for affordable housing projects in Pima County (“2004 bond proceeds”), \$8,991,836.00 have been previously allocated or expended to date for affordable housing projects.
5. The Pima County Community Development and Neighborhood Conservation Department, in conjunction with the Pima County Housing Commission, accepted and evaluated applications for the development, design and construction or rehabilitation and preservation of affordable housing for low-income households as defined by the U.S. Department of Housing and Urban Development (HUD).
6. The Gadsden Company and Wisconsin-based Gorman & Company, Inc. submitted an application (the “Application”) and presented a plan to the Pima County Housing Commission for the design and construction of an affordable, transit-oriented, workforce housing development located west of downtown Tucson, in the Menlo Park Neighborhood at 855 W. Congress Street to be called “West End Station”.
7. According to the Application, West End Station will feature 94 affordable rental units (studios, one-, two- and three-bedrooms) for households with incomes at or below 60% of the Area Median Income.
8. The development of the West End Station Affordable Housing would be beneficial to the citizens of Pima County.

9. The Application seeks \$769,518.00 of the 2004 bond proceeds for use in the construction of the West End Station Affordable Housing.
10. The Application and presentation for the 2004 bond proceeds provided the following:
  - a. The real property where the project will be located is currently owned by Mission District Partners, L.L.C.
  - b. Gorman & Company, Inc. will create two limited liability corporations (in Wisconsin and Arizona) known as “West End Station, L.L.C.” and “GEC WES, L.L.C.” (to be the managing partner of West End Station, L.L.C.).
  - c. West End Station, L.L.C. will apply for 9% Low Income Housing Tax Credits (“LIHTC”) from the Arizona Department of Housing (ADOH).
  - d. In the event of an award of the 9% LIHTC, West End Station, L.L.C. will purchase the real property currently owned by Mission District Partners, L.L.C. and proceed with the development of the West End Station.
  - e. The Gadsden Company will be a “co-developer” of the West End Station.
11. On December 15, 2014, the Pima County Housing Commission unanimously recommended that the Pima County Board of Supervisors approve the use of \$769,518.00 of 2004 bond proceeds for the West End Station, if, but only if, West End Station, L.L.C. is awarded 9% LIHTC funding from the ADOH’s 2015 Allocation Year.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY** as follows:

**Section 1.** The Pima County Board of Supervisors authorizes the County Administrator to set aside Pima County 2004 Affordable Housing Bond proceeds in the amount of \$769,518.00 for construction of the West End Station Affordable Housing.

**Section 2.** The award and use of these 2004 bond proceeds is contingent upon all of the following:

- a. West End Station, L.L.C. is successfully incorporated and authorized to do business in the State of Arizona;
- b. West End Station, L.L.C. is awarded 9% LIHTC for the West End Station Affordable Housing Project;
- c. West End Station, L.L.C. obtains title to the real property located at 855 W. Congress Street, Tucson, Arizona where the West End Station Affordable Housing Project will be constructed (“the parcel”);
- d. All real property taxes on the parcel are and continue to be timely paid;
- e. Upon award of 2015 9% LIHTC and no later than August 15, 2015, West End Station, L.L.C. submits to the Pima County Housing Commission proof of legal status and that the project is fully funded through firm commitments, including the 2015 9% LIHTC; and

- f. No later than August 30, 2015, West End Station, L.L.C. shall either provide proof of ownership of the parcel, or shall certify that it has: entered into a purchase agreement for the parcel with Mission District Partners, L.L.C.; that it is not in default of any of the terms or conditions of the purchase agreement; that no notice of default has been received; and that closing of the sale will occur upon sale of the tax credits.

**Section 3.** Upon compliance with all of the conditions precedent set forth in Section 2, the Pima County Board of Supervisors authorizes Community Development and Neighborhood Conservation staff to work with the Pima County Attorney's Office to prepare the contract and legal documents needed to secure affordability of the West End Station for a period of not less than 30 years and to administer the 2004 Bond proceeds for final approval by the Board of Supervisors.

**Section 4.** In the event that any of the conditions precedent set forth in Section 2 are not met, the \$769,518.00 of 2004 Bond proceeds will no longer be set aside for the West End Station and will be available for other affordable housing project(s).

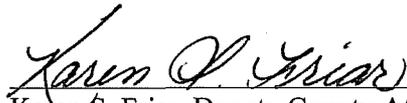
Passed and adopted, this \_\_\_\_\_ day of February, 2015.

\_\_\_\_\_  
Chair, Pima County Board of Supervisors

ATTEST:

APPROVED AS TO FORM

\_\_\_\_\_  
Clerk of the Board

  
\_\_\_\_\_  
Karen S. Friar, Deputy County Attorney