

MINUTES OF THE SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD FEBRUARY 27, 2024, AT 5:00 P.M., AT THE COUNCIL CHAMBERS LOCATED AT 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

Mayor Elinski called the meeting to order at: 5:01 p.m.

Roll call was taken as follows:

COUNCIL MEMBERS PRESENT

Tim Elinski, Mayor
Debbie Wilden, Vice Mayor
Stephen DeWillis, Council Member
Lisa DuVernay, Council Member
Helaine Kurot, Council Member
Michael Mathews, Council Member
Derek Palosaari, Council Member

STAFF MEMBERS PRESENT

Tom Whitmer, Acting City Manager
Michael Goodman, Gust Rosenfeld, PLC (Via Teams)
David Brown, Attorney
Evette Skerrett, Deputy Clerk
Shannon Boone, Housing Manager (Via Teams)
Ryan Bigelow, Director of Strategic Initiatives

ITEMS FOR DISCUSSION, CONSIDERATION AND POSSIBLE LEGAL ACTION:

DISCUSSION AND POSSIBLE DIRECTION TO STAFF RELATED TO THE PROPOSED VERDE PLAZA 2 DEVELOPMENT AND ITS APPLICATION FOR COMPETITIVE LOW-INCOME HOUSING TAX CREDITS.

Ryan Bigelow introduced Shannon Boone, who was present via Teams.

Ms. Boone stated I am here tonight to discuss a partnership with the developer on the 2-acre, City-owned parcel at 650 East Aspen Street, which is actually on 7th Street. It should be 175 South 7th Street, but it has a weird address for some reason. Some of you might remember that we engaged in a similar process in 2022 to support the same developer in acquiring the half-condemned Verde Plaza Complex to renovate the original units and build 18 new units, and that work is underway now. They have some new units coming online as they are rehabbing the existing buildings, and the new buildings are well underway. At that time, in 2022, we discussed an expansion of the project onto the adjacent City-owned lot that we're looking at now. The developer suggested at that time that we do so in a later funding round, and that funding round is approaching now. These projects have been funded by the Low-Income Housing Tax Credit, which is a very competitive funding source made available through

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the Arizona Department of Housing. It is pretty much the only funding source today that can get a project fully funded with this level of affordability. The applications are scored on a 200-point rubric, which changes every year. Which projects can win varies by year. I asked the developer, when the scoring came out this year, to take a look at it and see if the LIHTC would be awarded, and he did it.

In order to move forward with an application, the developer will have to invest hundreds of thousands of dollars in the application. Before he moves forward with things like an environmental review on the site, a market analysis, and things like that, he needs to be assured that Council will support a long-term plan lease of that parcel to the development, and a \$100,000 loan to the project. Both of those things add to the scoring for the project, which is what makes it viable to submit one of these applications this year. Because it's the second phase, it will score higher than some other projects. Those points, we've been told, will no longer be available after 2026. This is maybe our last time to score this high, depending on how they change the scoring for it going forward, but we feel like we need a chance at it now if we want to be able to expand the Verde Plaza onto that lot.

Ms. Boone then presented a PowerPoint presentation explaining the project to the City Council. The applicant is proposing 58 new units that will be affordable. The tax credits will ensure 30 years. The developer plans to use USDA loans, which would add another period of affordability, so likely affordable for 50 years to house those that are below 60 percent of the median income. To get those 58 new units on that parcel we would have to do the long-term land lease to the development. That would help the scoring, in addition to the \$100,000 loan to the project.

Mayor Elinski asked Council if there were any questions.

Council Member Duvernay asked, if all goes according to plan, how long does the developer believe it will take from start to actual completion?

Ms. Boone stated that, typically, with the tax credits, sometimes it takes as much as a year after they are awarded before they can get the contracts and sort of sell the credits, engage each of those investors, and everything.

Ms. Boone stated the developer was able to join us.

Mr. Niblack stated as far as the timing of that, being only a LIHTC, or a low-income housing tax credit deal, they actually have a benefit because as soon as we have the assurance that the County and the City, as far as plans and, obviously, the signoff of the primary goal of homebuilding safety items, we can start construction. So if we are lucky enough to win the other award as we did two years ago, then there's a very good chance that they will tell us if we're awarded in about six to eight weeks. We would have the architect start immediately, and we could have shovels in the ground by the end of this year. As far as the construction period, that would take then another year. So by the end of 2025, we could have everything kind of up and running and ready for occupancy.

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Mayor Elinski asked if there were any other questions for staff or the developer.

Vice Mayor Wilden asked, just for my knowledge, can you give me an idea of the range of rents that people are having to pay now and in the future?

Mr. Nibleck stated it's a new product, so we don't have any kind of historical data on this particular one. For the first phase, we have one, two, three, and four bedrooms. One bedroom is currently \$660; two bedrooms are \$820; three bedrooms are at \$930; and a four-bedroom unit is \$1,050. Just to give you an idea, those rents are dictated by the amount of income that a person has. If some people have a 30 percent income, they don't pay more than 30 percent of their income for rent. In the new project, we would be looking to have about 12 units that would be in the 30 percent AMI – in other words, people only earning 30 percent of the Average Median Income – and then the rest of the units would be divided between 50 percent income and 60 percent income.

With these types of projects, we try to keep them on a cashflow-only basis, which means that if the project does not need additional monies, then we don't raise the rents. That's been very successful in the Verde Plaza 1 period. The other element is the longer commitment for the timeline – instead of just being at the minimum 15-year compliance or 30-year compliance – by committing to the 50-year compliance period, we ensure that rents will remain an asset of the community well beyond most of our tenure.

Mayor Elinski asked if there were any other questions from Council.

Mr. Nibleck then asked Vice Mayor Wilden if that answered her question.

Vice Mayor Wilden stated it is impressive. It did answer my question. The next question is for Shannon as far as financing from the City. Where would this financing come from?

Ms. Boone stated I'm not sure the right way to answer that. I believe there was a million dollars allocated to our affordable housing fund, but Kirsten (Lennon) talks about that a little differently than I do.

Mr. Bigelow stated I'll speak to that. We have a million dollars set aside as a reserve. We would need to be pulling this from a reserve account to be able to finance this. We do have it set aside in the reserves.

Vice Mayor Wilden stated we did have some money for housing to help employees, that sort of thing, which I don't believe has been touched. Is that something we could use or not?

Mr. Bigelow stated that is out of a separate account, but that would be available, too. Because this is already set aside as a reserve, we would go for that.

Mayor Elinski asked, on the long-term land lease, are we looking to do a 50-year lease for the project?

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Ms. Boone stated Scott may be able to address that but, typically, what I found on other projects is that we end up doing a 75-year lease because the other lenders in the project or the extra investors prefer that.

Mr. Niblack stated the overall budget is going to be very close to where we are currently, which is approximately between 23- and \$25 million, so we would like some kind of assurance as far as the long-term lease period. They wanted to make sure that their investment would be in line with their investment period.

Mayor Elinski asked, at the end of the term of the lease, then do we just negotiate for different terms? How does that kind of work out in your experience?

Mr. Niblack stated we get these tax credits, and then we basically trade them for money. There are several different organizations nationally that do that deal. In Cottonwood, the City builds these projects where they are currently funding the same as Phase 1. I believe the bank people are looking for at least a minimum of 40 years.

Mayor Elinski stated my question is, Ms. Boone, maybe you're the best one to answer this, at the end of that 75-year term, what do we do with that land lease?

Ms. Boone stated that, typically, something happens before 75 years where we either extend the lease, sell the land to the project, or buy the buildings on the land. We would have options moving forward but, likely, when we bring back the proposed land lease to you in March, so when you review the actual documents, there will be something addressing that in the land lease.

Council Member Mathews asked so that the land lease is quite clear, are we also talking about financing a portion of this?

Ms. Boone stated only \$100,000, which is just to demonstrate City support. It is one of the scoring requirements that the Department of Housing included. From a rural area, if there is a \$100,000 loan from the City, or more, it scores the needed points.

Mayor Elinski asked if there were any other questions.

There were no further questions from the Council.

Mayor Elinski stated I think this is a great opportunity, and thanks so much for bringing it to our attention. I think Council probably feels the same way, but I wish the best of luck in your application.

Council Member Kurot moved to direct staff to negotiate and draft a proposed land-lease option in the form of a commitment for local GAP financing and/or other financial support from the City for Verde Plaza 2 project for consideration and possible approval at a future Council meeting before April 1, 2024. The motion was seconded by Council Member DeWillis.

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A roll call vote on the motion was taken as follows:

	<u>YES</u>	<u>NO</u>		<u>YES</u>	<u>NO</u>
Council Member DeWillis	X		Council Member Palosaari	X	
Council Member Duvernay	X		Vice Mayor Wilden	X	
council Member Kurot	X		Mayor Elinski	X	
Council Member Mathews	X				

The motion unanimously carried.

A recess was taken at 5:18 p.m., reconvening at 5:22 p.m. All parties were present as previously stated, with the exception of Mr. Bigelow, Ms. Boone, and Mr. Niblack.

SET AN EXECUTIVE SESSION

DISCUSSION OF ISSUES RELATED TO PENDING AND POTENTIAL LITIGATION ASSOCIATED WITH THE GILA RIVER ADJUDICATION AND OTHER LEGAL ISSUES REGARDING THE CITY'S WATER SUPPLY

Mayor Elinski moved to convene into executive session. The motion was seconded by Council Member DeWillis and unanimously carried.

Council convened into executive session at 5:22 p.m., reconvening into open session at 6:41 p.m.

Mr. Brown stated the City of Prescott lost their water lawyer approximately a year ago. I don't believe there would be a conflict, and feel that representing the City of Prescott and the City of Cottonwood would be a positive thing.

The Council's consensus was that there would not be a conflict of interest if Mr. Brown represented the City of Prescott as well as the City of Cottonwood as their water attorney.

ADJOURNMENT

Mayor Elinski moved to adjourn the Special Meeting. The motion was seconded by Council Member DeWillis and unanimously carried.

The special meeting was adjourned at 6:41 p.m.


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 Tim Elinski, Mayor

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ATTEST:

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Tami S. Mayes, City Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of the special meeting of the City Council of the City of Cottonwood held on February 27, 2024. I further certify that the meeting was duly called, and that a quorum was present.

DocuSigned by:


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Tami S. Mayes, City Clerk

4/9/2024

Date