



Town of Payson
303 N. Beeline Highway
Payson, Arizona 85541-4306

STAFF REPORT TO COUNCIL

Date: 10/23/24

To: Mayor and Council

From: Julie Leonard, Community Development Coordinator

Subject: Land Lease Agreement for Green Valley Apartments 2

PURPOSE: To approve Resolution 3420 authorizing a new land lease agreement for Gila County Parcel No. 304-16-221E for Green Valley Apartments 2.

BACKGROUND:

On March 13, 2024, the Town granted a land lease to Payson Regional Housing Development of 2.33 acres of land for a Low-Income Housing Tax Credit (LIHTC) project – Green Valley Apartments 2. On June 3, 2024, the Payson Regional Housing Development project was awarded by Arizona Department of Housing (ADOH). The new land lease replaces the prior lease and includes changes that have been identified since the award was made.

SUMMARY:

The changes made address the modifications required by the tax credit investor and actual site/acreage to be leased.

Specific changes include:

- Lease Term – Changed from 30 years with 3 ten-year extensions (60 total years) to 75 years. The provision for an option to purchase is unchanged.
- Lease Payment – \$2,000 per year plus a 3% annual escalator payment guaranteed. The additional language in the lease that was added allows for additional cash flow contingent payments to be made if it is derived based on the appraised value. Excess cash flow is not expected.

- Parcel Size – The parcel decreased from the anticipated 2.75-3.00 acres leased to 2.33 acres. The new description
- Specific language required by tax credit investor’s legal counsel. The verbiage is specific to the IRS Section 42 (tax credits) tax code, Indemnification for environmental issues (no significant findings) and distribution of insurance proceeds in event of a casualty.

The changes to the previous lease are identified in the red-lined copy of the lease.

FINANCIAL IMPACT:

The updated land lease does not have an additional financial impact.

RECOMMENDATION:

Staff recommends approval of Resolution 3240