



COUNCIL MINUTES

February 27, 2017

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 27, 2017 at 4:47 p.m.

COUNCIL PRESENT

John Giles
Mark Freeman
Kevin Thompson
Jeremy Whittaker
Ryan Winkle

COUNCIL ABSENT

Christopher Glover
David Luna

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

Mayor Giles excused Vice Mayor Luna and Councilmember Glover from the entire meeting.

1. Review items on the agenda for the February 27, 2017 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items removed from the consent agenda: None.

2-a. Hear a presentation, discuss and provide direction on the City Council priorities relating to the Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grant, and the Human Services Programs funding.

Housing and Community Development Director Liz Morales displayed a PowerPoint presentation related to the Federal Grants Funding Process and Priorities. **(See Attachment 1)**

Ms. Morales explained that the City receives annual block grant funding from the U.S. Department of Housing and Urban Development (HUD), which is formula based. She highlighted the four different block grants and explained that they are based on different criteria and are not interchangeable.

Ms. Morales reported that the City receives over \$3 million annually from the Community Development Block Grant (CDBG). She indicated that CDBG funds are used primarily for low to moderate income households and may be used in various ways. She added that up to 15% of the total funds may be used for public services that are administered by non-profit organizations. (See Page 3 of Attachment 1)

In response to a question from Mayor Giles, Ms. Morales clarified that the 15% cap on CDBG funds is limited to the activities, not to the providers.

Community Revitalization Coordinator Dennis Newburn explained that the CDBG cap is intended to ensure that a majority of funds are not spent on activities where a third-party will individually benefit. He noted that the CDBG funds are intended for a “bricks and mortar” type concept, and cannot flow through Mesa to other providers.

In response to a question from Councilmember Freeman, Ms. Morales clarified that one example of revitalizing neighborhoods is improving sidewalks to reduce slum and blight.

Councilmember Thompson recalled that in the past, Council has strived to use CDBG dollars for more transformative projects in the community, such as the Promenade, and asked if there were any similar projects currently in process.

Ms. Morales indicated that she cannot discuss potential projects at this time since applications are under evaluation. She highlighted other large-scale development improvements which include the Façade, parks and library projects.

Ms. Morales reported that the purpose of the Emergency Solutions Grant (ESG) is to provide funding to engage homeless individuals and assist with operating shelters. She clarified that ESG is specific to homelessness, preventing homelessness, and offers short-term rental assistance, known as the Rapid Rehousing Program. (See Page 4 of Attachment 1)

In response to a question from Councilmember Winkle, Ms. Morales indicated that transitional housing is not an eligible activity under ESG.

Ms. Morales explained that the HOME Investment Partnership funding is used primarily to build or rehabilitate affordable housing for rent, and to provide direct rental assistance to low-income households. She noted that the HOME fund is often used to address special populations, such as homelessness, and providing a rental subsidy is a good use of those funds. (See Page 5 of Attachment 1)

In response to a question from Mayor Giles, Ms. Morales confirmed that the Housing Master Plan will encompass all levels of housing, from home ownership to rental housing, and mobile home communities. She indicated that the report will show if there is a need for affordability in home ownership, as well as any other areas of opportunity, which will assist in making policy decisions. She advised that the report should be ready to present to Council this summer and will assist with FY 18/19 decisions.

Councilmember Thompson recalled that last year, Council sought to encourage home ownership in the community and transform some neighborhoods. He hoped to continue that path with the HOME Investment dollars.

In response to a question from Councilmember Winkle, Ms. Morales advised that the Housing Master Plan will compliment and support the Consolidated Plan.

In response to a question from Councilmember Freeman related to the HOME Investment Partnership Grant of \$1,202,129, Ms. Morales highlighted the fund as follows:

- 10% of the fund must be allocated to Administration.

- 15% of the fund must be specifically allocated to a Community Housing Development Organization (CHODO) activity.
- Mesa has contracted with Newtown as the designated CHODO, to build homes and sell them to eligible low-income home buyers.
- Approximate balance of \$750,000 is flexible; generally, \$500,000 is allocated to rental development, and \$250,000 to other activities such as down-payment assistance.

Councilmember Freeman commented that he likes encouraging home ownership, becoming self-reliant and investing back into our neighborhoods.

Ms. Morales clarified that up to \$500,000 of the FY 17/18 funds is to be allocated to Mesa Artspace, but the remaining \$250,000 in funds will be available for other opportunities such as rental assistance. She pointed out that the funds for FY 18/19 are open for Council determination.

In response to a comment from Mayor Giles related to the remaining HOME Investment funds for FY 17/18, Ms. Morales confirmed that staff would return with suggestions for allocating the remaining \$250,000, based on the priorities set by Council.

Ms. Morales reported that the Human Services Program includes A Better Community (ABC) funds received through utility donations. She clarified that of the \$826,392, only \$720,000 of the fund goes toward grants/contracts, primarily serving non-profit organizations with the following programs:

- Crisis services
- Prevention/early intervention services
- Transitional services
- Long-term support
- System support and community information referral

City Manager Christopher Brady commented that the Human Services Program comes directly from General Fund dollars which provides some flexibility.

In response to a question from Mayor Giles, Ms. Morales confirmed that the first 10% of HOME Investment funds, approximately \$100,000, is committed to the utility support and administration for non-profits. She noted that a majority of the funds go to the contracts, such as \$97,000 to the East Valley Adult Resources (EVAR) Senior Center.

Mr. Brady added that \$1 million of CDBG funds are committed to EVAR improvements as well.

Ms. Morales reviewed the five-year Consolidated Plan, which was implemented in April 2015, and said that it is Mesa's primary guidance on investing federal dollars. She pointed out that the Consolidated Plan differs from the Housing Master Plan due to its specific use for low-income households. She added that after each allocation, the Annual Action Plan (which is part of the Consolidated Plan), must be submitted to HUD for approval. (See Page 7 of Attachment 1)

Ms. Morales explained that the federal government mandates the Consolidated Plan, and that Mesa must tie together the activities with the priorities. She provided an overview of the funding timeline. (See Page 10 of Attachment 1)

Ms. Morales highlighted the priorities for the Consolidated Plan as follows (See Page 8 and 9 of Attachment 1):

- Invest in economic growth and workforce development
- Increase and maintain affordable housing stock, encompassing both rental and home ownership
- Decrease homelessness
- Provide other non-homeless public services
- Implement transit-oriented strategies for community development
- Increase collaboration between service providers
- Affirmatively further Fair Housing

Ms. Morales indicated that there is a great need for the Federal Grant Block Funding, proven by the fact that the following applications have been received: 13 for CDBG, 15 related to homeless activities, and 40 related to the Human Services Grant.

In response to a question from Mayor Giles related to the 15% cap on funds used for public services, Ms. Morales clarified that some of the applications are for larger projects related to infrastructure and other activities.

Mr. Brady mentioned that some items fall outside of the 15% cap, such as the kitchen renovation at the Paz de Cristo Community Center.

Ms. Morales clarified that staff would provide a list of all applicants that would outline which are public service and which are not public service, to simplify the prioritization process for Council.

Mr. Brady indicated the City has a requirement to spend down a certain amount of HUD funds each year. He explained that a majority of the funds must be spent on projects and emphasized the importance of selecting projects that are more than conceptual. He stated that the project's design and engineering phase must begin in time to meet the deadline.

Ms. Morales indicated that the City is required to have no more than 1:5 ratio of expenditures to cash on hand. She explained that staff is constantly looking for projects that are ready to begin in order to spend the money within the required timeline. She noted that the HOME funds are required to be spent within 24-months of allocation, otherwise the funds are returned to the U. S. Treasury.

Mayor Giles thanked staff for keeping up with such a complex process.

In response to a question from Councilmember Thompson, Ms. Morales responded that the House of Refuge received Human Services funding last year to assist with families that would have otherwise been displaced due to the loss of HUD funding. She informed Council that the House of Refuge has since done well with identifying new funding sources. She commented that the HUD funding decisions have been made for this year and that no impacts were made to Mesa.

Mayor Giles detailed the application process, which begins with the Housing and Community Development Advisory Board who will make recommendations to the Community and Cultural Development Committee and then it will go to the full Council for a vote.

Ms. Morales shared examples of Consolidated Plan priorities and requested policy direction to bring back to the Housing and Community Development Advisory Board and staff. (See Page 11 of Attachment 1)

In response to a question from Councilmember Freeman, Ms. Morales clarified that all of the activities that fall within the example 'Increase down payment assistance for First-time Homebuyers' support increasing and maintaining affordable housing stock.

Councilmember Thompson supported the listed priorities for the Consolidated Plan. He requested clarification related to the example of 'Support Fair Housing Services.'

Ms. Morales explained that the Fair Housing Centers in Mesa receive some HUD funding, but Mesa has historically funded some of their activities and legal services, such as low-income renters dealing with tenant/landlord issues. She added that Mesa has furthered Fair Housing by offering good educational opportunities to the public and other housing agencies. She stated that although the value is not quantitative, Mesa ensures that the information is readily available to provide everyone education on Fair Housing topics and laws.

Mr. Newburn pointed out that the Fair Housing activities are mandated as a condition of the receipt of federal dollars. He indicated that promoting education is part of the responsibility for receiving the grant and can be considered as direct benefit activities. He emphasized that the most important thing is that the activities create culture compliance with the law, and show the City's commitment with respect to Fair Housing activities.

Mr. Brady directed staff to gather information and provide a report that indicates how many individuals are serviced through this education program.

In response to a question from Councilmember Whittaker, Ms. Morales confirmed that she has historical data available and confirmed that Mesa has done well with federal funds for at least the past five years.

Mr. Newburn offered examples of past challenges associated with large-scale projects as follows:

- The applicant did not acquire the land in time
- The land was acquired but environmental issues needed to be addressed for the applicant to move forward
- Bids came in too high and the process had to start over

Mr. Newburn assured the Committee that staff has improved methods of reviewing cases early to be certain the above-listed mistakes do not occur.

In response to a question from Councilmember Whittaker related to the narrow focus of economic development to Downtown Mesa, Mr. Newburn explained that during the process of creating the Consolidated Plan five years ago, the focus was largely on the Light Rail.

In response to a question from Councilmember Thompson related to Economic Development in the Fiesta District, Mr. Newburn said that the results of the Economic Development Study, as well as the new direction prompted by Ms. Morales will hopefully allow the use of funding in other areas.

Mr. Brady recognized that the Fiesta District has been designated as a Redevelopment Area (RDA), as well as two others that are underway. He said that once those RDA's are created, then the City can designate opportunities to assist small businesses if it meets the criteria and economic limitations of CDBG funds.

Mr. Newburn clarified that the criteria is mainly that low-income families are the principal beneficiaries of CDBG funds. He indicated that Mesa has done well in the past, according to HUD's review.

In response to a question from Councilmember Whittaker, Ms. Morales confirmed that although there are indications that the federal government will cut funding for domestic programs, it is uncertain which programs will be affected. She noted that the cuts would affect the upcoming fiscal year and hoped that she would know soon what the allocation will be for FY 17/18.

In response to a question from Councilmember Freeman, Ms. Morales provided clarification on increasing and maintaining affordable housing stock. She stated that maintaining the affordable housing stock consists of rehabilitation activities, such as keeping what we have and improving the quality. She explained that increasing affordable housing stock includes developing in-fill housing, creating more opportunities to build and adding more affordable housing to other areas.

Mr. Brady clarified that increasing affordable housing included purchasing properties directly from banks and rehabilitating them. He added that some of those properties were sold and some were leased.

Mayor Giles encouraged staff and Council to take a more strategic approach to ensuring that funds are allocated in a way that serves the most vulnerable people. He suggested working with other service providers to determine the best ways to patch the holes that exist in the system.

Ms. Morales confirmed that due to community concerns and feedback, the application process did point out some priorities to be more strategic with funding the homeless. She noted that staff asked for specific projects to address the top three needs and will work with the Council and homeless providers to develop and address those needs.

Mr. Newburn commented that Mesa is fortunate to have such supportive staff that understands the importance of identifying issues within our community and tries to match funding. He anticipated that Council would be pleased with the direction that staff takes and the emphasis on collaboration to eradicate homelessness.

Mr. Brady explained that the applications for the next round have been received and staff will prioritize those according to Council's priorities and strategies. He added that next year, staff would encourage applicants to address those strategies directly.

Mayor Giles stated that the navigator program is a successful model in veterans' homelessness and establishing relationships. He commented that workforce development is a priority and relates to early childhood development. He suggested that if no current applications address that topic, that funds may be set aside to partner with Mesa Public Schools or others to support programs.

Mayor Giles thanked staff for the presentation.

2-b. Appointment to the Housing and Community Development Advisory Board.

Derek Brosemann – Term expires June 30, 2019.

It was moved by Councilmember Thompson, seconded by Councilmember Freeman, that the Council concur with the Mayor's recommendation and the appointment **(See Attachment 2)** be confirmed.

Mayor Giles declared the motion carried unanimously by those present.

3. Hear reports on meetings and/or conferences attended.

Mayor Giles: Strategic Planning meeting

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, March 2, 2017, 7:30 a.m. – Study Session

Thursday, March 2, 2017, 4:00 p.m. – Grand Opening of Mesa Rio Salado Pathway

Councilmember Thompson announced that Fire Rescue received a flawless inspection at Mesa-Phoenix Gateway Airport.

5. Adjournment.

Without objection, the Study Session adjourned at 5:42 p.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 27th day of February, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Federal Grants Funding Process and Priorities

Housing and Community Development Division

Feb. 27th, 2017



Federal Funding Formula

- Annual block grant funding from U.S. Department of Housing and Urban Development (HUD)
- Formula based (non-competitive)
- Each program is unique in purpose, eligibility requirements and regulations

Federal Block Grant Funding

Community Development Block Grant (CDBG) - \$3,224,529

- Principally for low- and moderate - income persons
- Infrastructure development
- Repair of private/public buildings
- Revitalizing neighborhoods
- Economic development
- Public services by nonprofit (15% Cap)

Federal Block Grant Funding

Emergency Solutions Grant (ESG) - \$287,998

- Engage homeless individuals and families living on the street
- Help operate shelters
- Rapidly re-house homeless individuals and families
- Prevent families and individuals from becoming homeless

Federal Block Grant Funding

HOME Investment Partnership- \$1,0202,129

- Building, buying, and/or rehabilitating affordable housing for rent
- Encouraging home ownership
- Providing direct rental assistance to low-income people.

City of Mesa General Funds and ABC Funding

Human Services Program - \$826,392

- Crisis services
- Prevention/early intervention services
- Transitional services
- Long-term support
- System support
- Note: General Fund contribution to be same in FY 17/18 as last year.

Consolidated Plan 2015-2019 Overview

- Adopted by City Council April 2015
- Guidance on investment of HUD dollars
- Outlines priorities which federal funds to be used
- Public comment/input from Stakeholders
- Difference between Housing Master Plan and Consolidated Plan
- Annual Action Plan lists specific activities

Consolidated Plan Priorities

- Invest in economic growth and workforce development
- Increase and maintain affordable housing stock
- Decrease homelessness

Consolidated Plan Priorities

- Provide other non-homeless public services
- Implement transit-oriented strategies for community development
- Increase collaboration between service providers
- Affirmatively further Fair Housing

Funding Process Timeline

January 2nd- Open Application Period

Feb 2nd- Application Period Closes

March 2nd – Housing and Community
Development Advisory Board

End March/Early April- Community and
Cultural Development Committee

May 15th- Full Council action on Annual
Action Plan

Request Council Policy Direction FY 17/18

Examples of Policy Direction (Con Plan Priorities):

- Increase downtown small business opportunities (Economic Development)
- Increase down payment assistance for First-time Homebuyers (Increase and Maintain Affordable Housing Stock)
- Increase navigation services for homeless (Decrease Homelessness)
- Support Fair Housing Services (Affirmatively Further Fair Housing)
- Support Non-Profit Operations (Human Services Program)

Federal Grants Funding Process and Priorities

Questions?

Feb. 27th, 2017

February 27, 2017

TO: CITY COUNCILMEMBERS

FROM: MAYOR JOHN GILES

SUBJECT: Appointment to the Housing and Community Development Advisory Board

Attached is my recommendation for an appointment to the Housing and Community Development Advisory Board.

Housing and Community Development Advisory board – Eleven-member board with one new appointment.

Derek Brosemann, District 1. Mr. Brosemann is a Vice President and Business Banking Relationship Manager at JPMorgan Chase Bank. Previously, Mr. Brosemann owned and operated a small business in Mesa. Mr. Brosemann holds a bachelor of science in business from Western International University. In addition to his professional career, Mr. Brosemann volunteers his time with the Boy Scouts of America. Mr. Brosemann's appointment will be filling a vacancy created by the resignation of Heather Landvatter and will be filling one of the community representative positions on the Housing & Community Development Advisory Board. His partial term will expire on June 30, 2019.