



## COMMUNITY & NEIGHBORHOOD SERVICES COMMITTEE

October 18, 2010

The Community & Neighborhood Services Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on October 18, 2010 at 3:33 p.m.

### COMMITTEE PRESENT

Dina Higgins, Chairwoman  
Dennis Kavanaugh  
Dave Richins

### COMMITTEE ABSENT

None

### STAFF PRESENT

Alfred Smith  
Natalie Lewis

Chairwoman Higgins excused Committeemember Richins from the beginning of the meeting.

(Committeemember Richins arrived at the meeting at 4:01 p.m.)

### 1-a. Hear a presentation from Mr. John Driggs, Sr. and discuss a Statewide proposal related to the 2012 Arizona Centennial.

John Driggs, Sr., a Phoenix resident, addressed the Committee and provided a brief historical chronology of his family's roots in Mesa and Phoenix. He also reported that he has had the privilege of serving on two 2012 Arizona Centennial Commissions, the first in 2005 when he was appointed by the State Legislature, and the second in 2008 when Governor Janet Napolitano announced the formation of a Centennial Commission.

Mr. Driggs explained that Governor Napolitano's major project for the 2012 Arizona Centennial was the restoration and rehabilitation of the State Capitol. He stated that when she was appointed to President Obama's Cabinet as Secretary of the Department of Homeland Security, the Commission became inactive for a period of time, but has since commenced working on a number of projects. Mr. Driggs also commented that the main role of the Arizona Historical Advisory Commission relative to the 2012 Arizona Centennial was to sanction and certify official State legacy projects.

Mr. Driggs also reported that in 2007, the State Legislature appointed an ad hoc task force to determine the feasibility of conducting legislative business at the historic Capitol building. He stated that in 1960, the State Legislature moved out of the Capitol building and began conducting business in the separate House and Senate buildings. Mr. Driggs explained that the Capitol was built in 1900, 12 years before Arizona became a state, and noted that from a historical perspective, it was the only remaining Capitol in the United States that was built as a

territorial Capitol. He added that in January 2008, the ad hoc task force completed its research and concluded that at least a portion of the Capitol should be used for Legislative purposes.

Mr. Driggs commented, in addition, that on June 23, 2010, the Arizona Legislative Council passed a resolution addressing the issue of returning the Capitol to its prior legislative function. He said that subsequent to the November 2, 2010 General Election, he anticipated the Legislative Council would make a public announcement in that regard.

Mr. Driggs further spoke regarding his efforts as Chairman of the State Capitol Committee to work with a Legislative appropriation of \$450,000 to perform design work on the Capitol; the fact that he raised monies in the private sector in order to fund engineering plans for a new elevator in the historic Capitol building; that the \$450,000 was swept by the State Legislature in order to balance the FY 2010/11 budget; that it would be necessary to solicit funding from the private sector in order to restore the Capitol building; that he sent letters to all Arizona cities and counties requesting that they make a financial contribution (based on the population of the community) to the Capitol restoration efforts; and that the proposed amount of the City of Mesa's contribution would be \$5,000.

Mr. Driggs concluded his presentation by stating that he was hopeful that at the February 14, 2012 Arizona Centennial celebration that the Capitol could be rededicated for Legislative purposes.

Committeemember Kavanaugh expressed appreciation to Mr. Driggs for his presentation. He noted that in 1978, he began working for the Arizona Legislative Council when restoration of the original Capitol building occurred and said that it was unfortunate that little work was done on the 1919 and 1939 expansions of the facility. Committeemember Kavanaugh voiced support for the Capitol restoration project and said he hoped the City of Mesa would participate in those efforts.

Chairwoman Higgins thanked Mr. Driggs for his presentation.

1-b. Hear a presentation, discuss and provide recommendations on priorities for use of Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funding.

Neighborhood Services Department Director Ray Villa introduced Housing and Revitalization Director Carolyn Olson and Management Assistant I Scott Clapp, who were prepared to assist with the presentation.

Mr. Villa reported that the application process for Community Development Block Grant (CDBG) and the Home Investment Partnerships Program (HOME) funding for FY 2011/2012 was currently underway. He stated that staff was seeking direction from the Committeemembers regarding their priorities for the use of such funding beyond what was identified in the Council's Strategic Initiatives. Mr. Villa also noted that Housing Advisory Board Chairman Christian Karas was present in the audience and would report back to the Board relative to the Committee's direction.

Ms. Olson displayed a PowerPoint presentation (**See Attachment 1**) and stated that this agenda item was a continuation of a recent Study Session presentation. She explained that the

CDBG national objectives, which are the first threshold that a project must overcome in order to be eligible for funding, included benefiting low and moderate income persons; preventing/eliminating slum and blight; and responding to an urgent need (i.e., hurricane or flood).

Ms. Olson briefly highlighted the eligible activities for CDBG funding, which consist of Housing, Code Enforcement, Public Facilities and Improvements, Public Service and Economic Development. (See Pages 2 and 3 of Attachment 1) She clarified that funding for Public Service activities was limited to 15% of the City's total allocation and said that in order to be eligible for such funding, the activities must be new or provide an increased level of service.

Ms. Olson further reviewed the Department of Housing and Urban Development's (HUD) program objectives for the HOME Investment Partnerships Program. (See Page 4 of Attachment 1) She advised that each sub-recipient must provide a 25% non-Federal match for the funds it was awarded. Ms. Olson also noted that the City must set aside 15% of its HOME allocation for housing development activities in which qualified Community Housing Development Organizations (CHDOs) are owners, developers or sponsors of such activities.

Responding to a series of questions from Chairwoman Higgins, Ms. Olson advised that Habitat for Humanity is an example of a sub-recipient that would be required to provide a 25% non-Federal match for funds it was awarded to purchase land for a project. She also clarified that of the City of Mesa's annual HOME allocation, which was approximately \$1.5 million, 15% must be set aside for use by CHDOs. Ms. Olson further remarked that Housing Our Community and Save the Family are two CHDOs that the City currently works with and added that if requested, the City builds capacity for other CHDOs.

Ms. Olson continued with her presentation and briefly reviewed the definition of a CHDO and various CHDO-eligible activities. (See Page 5 of Attachment 1)

In response to a question from Committeemember Kavanaugh, Ms. Olson explained that the City's program to replace substandard housing with manufactured homes could be funded by either HOME or CDBG monies.

Ms. Olson reported that regarding the CHDO-eligible activity of operating assistance, this item relates to operating expenses for CHDOs. She explained that the City was considering moving away from allocating the fee due to the fact that CHDOs have a developer fee already built into their projects and said that staff preferred to direct the operating fee more toward projects.

In response to a question from Committeemember Kavanaugh, Ms. Olson clarified that if an entity received a CHDO set-aside, a portion of the developer fee built within those projects would cover the cost of staff time.

Committeemember Richins commented that typically in affordable housing projects, the developer fee is the first thing that a nonprofit developer "has to negotiate away in order to make the numbers work." He stated that he was a little reluctant for the City to have "a blanket policy" that would eliminate the CHDO set-aside and added that there may be instances when it should be retained. He cited, by way of an example, if the City had a high profile project and wanted to ensure that the nonprofit had the capacity to deliver such a project.

Discussion ensued relative to the fact that per HUD regulations, if a nonprofit community-based service organization were awarded operating assistance, it must be awarded a CHDO set-aside within 24 months; that if the entity did not receive the set-aside, the City would be required to pay back the operating funds; that a CHDO set-aside is used to develop affordable housing projects in the community; that operating assistance to CHDOs, which is optional, is used to pay items such as rent, utilities or mileage; and that the City is charged staff costs within the developer fee for various projects.

Committeemember Richins suggested that it might be appropriate to address the provision of operating assistance to CHDOs on a case-by-case basis.

Ms. Olson continued with her presentation and highlighted the eligible CDBG/HOME activities that would be included under the Council's Strategic Initiatives of Economic Development, Quality of Life, and Community Engagement. (See Pages 6 and 7 of Attachment 1) She also briefly reviewed a timeline of upcoming activities with regard to the application process for CDBG and HOME funding for FY 2011/2012. (See Page 7 of Attachment 1)

Committeemember Richins commented that the Council has been engaged in ongoing discussions relative to the issue of building capacity within Mesa's nonprofit community. He inquired whether it would be possible to fund a capacity-building initiative through CDBG if, for example, the Council was interested in forming a Community Development Corporation (CDC) in downtown Mesa for the purpose of developing a housing project.

Ms. Olson responded that although it would be necessary for staff to review the application, the item would probably fall under the eligible activity of Public Service. She also explained that if a neighborhood wanted to form a CDC, planning funds and technical assistance would be available through a separate category.

Committeemember Richins inquired how staff could transition from being reactive to the CDBG/HOME applications that are submitted to the City to becoming more proactive in soliciting organizations to develop the types of projects that are Council priorities.

Mr. Villa indicated that it might be appropriate for staff to create an educational process whereby they could provide the nonprofit organizations an overview of the Council's Strategic Initiatives prior to submitting their applications. He stated that this would afford the nonprofits the opportunity to learn about the kinds of projects that the Council was interested in pursuing.

Ms. Olson added that staff has been working with applicants on new types of projects prior to their applications being submitted.

Committeemember Richins stated that it would behoove the Council to review their Strategic Initiatives, determine what they want to accomplish in the next four or five years, and be proactive in soliciting the types of projects that would meet those goals.

Mr. Villa suggested that when light rail construction begins in downtown Mesa, perhaps a process could be implemented to address and possibly alleviate the financial challenges that local business owners might experience during that period of time. He cited, for instance, that CDBG funding could be used to pay rent for those businesses that are negatively impacted during that period of construction.

Committeemember Kavanaugh noted that from an economic development standpoint, the light rail project would present opportunities and challenges for businesses and housing in the downtown area. He suggested that this issue should be an area of emphasis in terms of preventive or proactive work.

Committeemember Kavanaugh further commented that the City was heavily reliant on CDGB funding to pay the salaries of code compliance officers who work in CDBG eligible areas. He stated that this creates a situation for a significant part of the budget year and added that staff was "handicapped" from responding to needs outside of the CDBG-eligible areas. Councilmember Kavanaugh suggested that this issue be reviewed by the Council and City management.

Assistant to the City Manager Natalie Lewis remarked that staff has worked hard to improve the application process for CDBG and HOME funding and to ensure that the Council has sufficient time to provide input and direction in this regard. She stated that the Housing Advisory Board, who reviews the applications and makes the funding recommendations, received extensive training relative to the process and was also provided the Council's Strategic Initiatives so that they would be aware of the Council's priorities.

Ms. Lewis reiterated that the purpose of today's meeting was to determine if the Committeemembers had any priorities or direction they wanted conveyed to the Housing Advisory Board as the process moves forward. She briefly highlighted the upcoming activities and associated dates listed on the timeline and added that the process could change next year.

Committeemember Richins stated that his funding priorities would focus on projects related to economic development and job creation and less towards housing activities due to the fact that the City received more than \$9 million in funding through the Neighborhood Stabilization Program (NSP).

Ms. Olson stated that staff would convey the Committee's priorities to the Housing Advisory Board.

Committeemember Kavanaugh said that he remembered a discussion at a previous Study Session wherein the Council expressed support for the Economic Development Advisory Board (EDAB) being engaged in the application review process in addition to the Housing Advisory Board. He stated that he assumed that process would occur during this year's application review process.

Committeemember Richins stated that it was his understanding that the Council was more focused on that process beginning formally next year.

Chairwoman Higgins concurred with Committeemember Kavanaugh that EDAB should be involved in the application review process this year.

Responding to questions from Chairwoman Higgins, Economic Development Department Director Bill Jabjiniak clarified that EDAB's next meeting is scheduled for November 2<sup>nd</sup>. He stated that the Board would be interested in providing input on the economic development applications and would also participate in whatever training is necessary in order to become familiar with the process. Mr. Jabjiniak suggested that perhaps EDAB could review those

specific applications, rank them in the order of highest priority, and forward those recommendations to the Council.

Additional discussion ensued relative to the issue of whether EDAB and the Housing Advisory Board should each review all of the applications for funding or if EDAB should review the economic development-related applications and the Housing Advisory Board should review those applications related to housing projects; that staff anticipates 50 or more funding applications to be submitted this year; and that staff accepts all funding applications, but only brings forward those applications that are eligible.

Mr. Villa suggested that it might be appropriate for the Housing Advisory Board to review all of the applications and said that if it were the direction of the Committee, EDAB could review and rank the economic development projects and bring those recommendations back to the Committee.

Committeemember Richins concurred with Mr. Villa's suggestion and commented that he would prefer that Mr. Jabjiniak be apprised of the economic development projects early on so that such projects could be coordinated through the Office of Economic Development. He also stated that the Housing Advisory Board would have a better understanding of CDBG eligibility as compared to EDAB.

Committeemember Kavanaugh stated that for this year's application process, he was comfortable with the Housing Advisory Board reviewing all the applications in a general context. He also expressed support for EDAB reviewing and making recommendations to the Council relative to the economic development applications.

Ms. Lewis clarified that it was the Committee's direction that staff move forward with the Housing Advisory Board's review of the applications for CDBG/HOME funding on November 3<sup>rd</sup> and 4<sup>th</sup>; that on November 2<sup>nd</sup>, staff would present the economic development applications to EDAB so that the Board could review and rank those projects; that the Community & Neighborhood Services Committee would review the recommendations of the Housing Advisory Board and EDAB; and that staff was directed to provide the economic development applications to EDAB prior to its November 2<sup>nd</sup> meeting.

Committeemember Richins expressed appreciation to staff for promptly responding to the Council's concerns regarding the application process for CDBG/HOME funding. He also suggested that this issue might be an appropriate topic for further discussion at the Council's next retreat.

Chairwoman Higgins thanked everyone for the presentation.

## 2. Adjournment.

Without objection, the Community & Neighborhood Services Committee meeting adjourned at 4:30 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Community & Neighborhood Services Committee meeting of the City of Mesa, Arizona, held on the 18<sup>th</sup> day of October, 2010. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

pag  
(attachment – 1)

# Community Development Block Grant Program

## HOME Investment Partnership Program



Presentation to the Community & Neighborhood Services Committee  
October 18, 2010

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### WHY ARE WE HERE!

- Application process for 2011/2012 CDBG and HOME funding underway
- **Seeking direction on priorities for use of CDBG and HOME funding beyond what is in the Council's strategic initiatives**
- Housing Board will review applications and forward recommendations to the Community and Neighborhood Services Committee

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## COMMUNITY DEVELOPMENT BLOCK GRANTS NATIONAL OBJECTIVES

- Benefit to Low- and Moderate-Income (LMI) Persons;
- Preventing/Eliminating Slum and Blight; and
- Urgent Need - Meeting a need having a particular urgency (hurricane, flood, etc.)

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## COMMUNITY DEVELOPMENT BLOCK GRANTS ELIGIBLE ACTIVITIES

- **Housing**
  - \* Homeowner Rehabilitation
  - \* Home Purchase Activities
  - \* New Construction (only for shelter for persons having special needs)
  - \* Rental Housing

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## COMMUNITY DEVELOPMENT BLOCK GRANTS ELIGIBLE ACTIVITIES

- **Code Enforcement**
  - Payment of salaries and overhead costs directly related to the enforcement of state and/or local codes
  
- **Public Facilities and Improvements**
  - Must be publicly owned or traditionally provided by government or owned by a nonprofit and open to the general public
  - May include acquisition, construction, reconstruction, rehabilitation, or installation of public improvements or facilities (except buildings for the general conduct of government)
  - Public facilities includes neighborhood facilities, firehouses, public schools, and libraries
  - Public improvements include streets, sidewalks, curbs and gutters, parks, playgrounds, water and sewer lines, flood and drainage improvements, parking lots, utility lines, and aesthetic amenities on public property such as trees, sculptures, pools of water and fountains, and other works of art

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## COMMUNITY DEVELOPMENT BLOCK GRANTS ELIGIBLE ACTIVITIES

- **Public Service** (limited to 15% of allocation)
  - Service to low and moderate income individuals and families (childcare, job training, public safety)
  - New or increased level of service
  
- **Economic Development**
  - Job retention and creation
  - Establishment, stabilization and expansion of small businesses
  - Grants / Loans / Loan guarantees
  - Technical assistance

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**HOME INVESTMENT  
PARTNERSHIPS PROGRAM  
HUD PROGRAM OBJECTIVES**

- Provide decent affordable housing to lower-income households
- Expand the capacity of nonprofit housing providers
- Strengthen the ability of state and local governments to provide housing, and
- Leverage private-sector participation

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**HOME INVESTMENT  
PARTNERSHIPS PROGRAM  
PROGRAM FUNDING**

**Funding Requirements**

- 25% non-federal match (provided by subrecipient)
- 15% Community Housing Development Organization (CHDO) Set-Aside

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**HOME INVESTMENT  
PARTNERSHIPS PROGRAM  
CHDO DEFINITION AND ACTIVITIES**

- A Community Housing Development Organization is a private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves

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**HOME INVESTMENT  
PARTNERSHIPS PROGRAM  
CHDO ELIGIBLE ACTIVITIES**

- Acquisition and/or rehabilitation of rental housing
- New construction of rental housing
- Acquisition and/or rehabilitation of homebuyer properties
- New construction of homebuyer properties
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds
- Operating assistance\*

\* The provision of operating assistance to CHDOs is optional, and Mesa wants to move away from this practice to encourage additional housing development. 10

**MESA CITY COUNCIL STRATEGIC INITIATIVE:  
ECONOMIC DEVELOPMENT  
ELIGIBLE CDBG/HOME ACTIVITIES**

- Economic Development
- Clearance (demolition of buildings)

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**MESA CITY COUNCIL STRATEGIC INITIATIVE:  
QUALITY OF LIFE  
ELIGIBLE CDBG/HOME ACTIVITIES**

- Housing
- Public Facilities and Improvements
- Code Enforcement
- Public Service
- Clearance (demolition of buildings)

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**MESA CITY COUNCIL STRATEGIC INITIATIVE:  
 COMMUNITY ENGAGEMENT  
 ELIGIBLE CDBG/HOME ACTIVITIES**

- Code Enforcement
- Clearance (demolition of buildings)
- Public Service

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**TIMELINE**

| <b>ACTIVITY</b>   | <b>DATE(S)</b>               |
|---|------------------------------|
| Applications due  | October 19, 2010             |
| Housing Advisory Board Public Hearing #1 – review applications & make recommendations | November 3 and 4, 2010       |
| Community and Neighborhood Services Committee – review board recommendations          | November 15, 2010            |
| Council Funding Recommendations   | December 2, 2010             |
| Public Comment Period   | January 3 – February 3, 2011 |
| Annual Plan to Council  | February 7, 2011             |
| Annual Plan to HUD  | May 13, 2011                 |

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Seeking further direction  
on priorities for use of  
CDBG and HOME funding  
beyond what is in the  
strategic initiatives