



COUNCIL MINUTES

August 16, 2012

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 August 16, 2012 at 7:31 a.m.

COUNCIL PRESENT

Scott Smith
Alex Finter
Christopher Glover
Dina Higgins
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

1. Review items on the agenda for the August 20, 2012 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 Neighborhood Stabilization Program (NSP) 3.

Housing and Community Development Department Director Tammy Albright introduced Development Project Coordinator Ray Thimesch, who was prepared to address the Council.

Mr. Thimesch displayed a PowerPoint presentation (**See Attachment 1**) and provided a brief overview of the Neighborhood Stabilization Program 1 (NSP1), which was established by the U.S. Department of Housing and Urban Development (HUD). He reported that in 2009, the City of Mesa was awarded \$9.6 million in NSP funds for the purpose of renovating vacant and foreclosed residential properties in designated areas of the community (85204 Zip Code). He also highlighted the number of homes and rental properties the City purchased and rehabilitated in conjunction with NSP1. (See Pages 3 and 4 of Attachment 1)

Mr. Thimesch discussed the average rehabilitation cost for single-family homes and multi-unit buildings; the timeframe between the purchase of a property to the completion of home

rehabilitation; and the completion of rehabilitation to owner occupancy. (See Page 5 of Attachment 1) He explained that the City currently has more than 50 applicants ready to purchase homes, but noted that due to the recent closure of Housing Our Communities (HOC), the City is in need of counselors to assist potential homebuyers through the process. He said that staff intends to issue a Request for Proposals (RFP) to solicit the assistance of counselors in that regard.

Mr. Thimesch, in addition, spoke regarding the objectives of NSP3 (See Page 9 of Attachment 1), including stabilizing home values and reducing vacant/abandoned properties. He reported that HUD requires a 50% expenditure of the funds within two years (March 2013) and said that he did not anticipate any problems in reaching that goal. He pointed out, however, that the City is confined to a smaller area consisting of five Zip Codes located close to the 85204 area and also a census tract situated just south of Broadway Road between Dobson and Alma School Roads.

Responding to a series of questions from Councilwoman Higgins, Mr. Thimesch clarified that NSP funds can only be used in those census tracts that have been identified as the areas of greatest need within the community. He noted that the above-referenced areas had a foreclosure abandonment risk score of 20 (with 20 being the highest score possible) and said that HUD advised staff to select those neighborhoods that had the highest concentration of vacant/abandoned properties. Mr. Thimesch added that if staff was unable to find properties to purchase within those census tracts, staff would amend the City's NSP3 Substantial Amendment in order to seek properties outside of those areas.

Discussion ensued relative to HUD's recent efforts to provide technical assistance to City staff with respect to NSP3; and that such efforts included educating staff on changes to the program and creating a new procedures manual.

Ms. Albright reported that staff has encountered an issue with NSP3 in that the City must follow local, State and Federal procurement processes, some of which conflict with each other. She explained that as late as last night, staff was considering different options concerning the most appropriate means by which to address the State and Federal processes.

Ms. Albright commented that although staff has presented one option today for the Council's consideration, she would recommend that staff be given the opportunity to go back and continue to work on this matter. She stated that once staff explores other alternatives, they would solicit input from one of the Council Committees prior to coming back to the Council to address local procurement issues.

Mayor Smith restated that the Federal procurement processes are really the City's "baseline" and noted that the local and/or State processes conflict with the City's ability to comply with the Federal processes.

Ms. Albright responded that "conflict" may not necessarily be the correct word. She explained that it is possible for the City to comply with all three governmental entities' procurement processes, but pointed out that the timeframe within which the City can rehabilitate a property is extended from three and a half months to six months. She added that a significant amount of staff resources would also be utilized.

Mayor Smith commented that what he was hearing Ms. Albright say is that sometimes the “controls,” while well intentioned, actually work against the City’s ability to meet its program objective.

Ms. Albright confirmed Mayor Smith’s statement and reiterated that the objective is the City’s timeframe to complete the rehabilitation of the properties.

Mayor Smith suggested that instead of the Council providing general direction to staff, that staff work to identify the conflict between the control objectives and the program objective and then present options to one of the Council Committees with respect to how best to meet the control objectives.

Ms. Albright also remarked that while staff continues to work on the procurement issues, they propose to move forward with the adoption of two resolutions as follows: 1.) To expend NSP3 funds; and 2.) To authorize the City Manager to sell City residential properties purchased with Federal funds.

Responding to a series of questions from Mayor Smith, City Attorney Debbie Spinner clarified that the procurement process is established by ordinance and stated that Ms. Albright would prefer that that matter be set aside for now. She explained that with respect to the City selling residential properties purchased with Federal funds, the City Charter requires that the process/terms be established by the Council. Ms. Spinner added that pending Council adoption of the resolution outlining such guidelines, the City Manager would be authorized to sell such properties.

Mayor Smith restated that the Council is being asked to approve that the City apply the same control on the sale of residential properties for NSP3 as it did for NSP1 and NSP2.

Ms. Spinner confirmed the Mayor’s statement.

Councilmember Finter stated the opinion that staff’s proposal with respect to the adoption of the two resolutions was a reasonable request. He also noted that in speaking with staff, he was assured that they would apprise the Council, via their quarterly reports, regarding the manner in which the NSP3 funds are expended.

Councilwoman Higgins commented that at a future Study Session, she would like the opportunity for the Council to discuss the types of properties that staff is proposing to purchase as part of NSP3. She remarked that if, for instance, a fourplex in a neighborhood was in significant disrepair and “bringing down” the area, perhaps it might be more appropriate for the City to purchase that structure as opposed to a single-family home.

Councilmember Finter remarked that with the recent changes in the single-family home market, as well as limited Federal funding, it was important for the City to determine how to most effectively impact Mesa’s neighborhoods. He concurred with Councilwoman Higgins’ comment that expending NSP3 funds for the purchase of multi-family units, as opposed to single-family homes, might have a greater impact in a wider area of the community.

Mayor Smith commented that there may be neighborhoods in which the City would get a “bigger bang for the buck” if staff considered the purchase of small multi-family units. He recalled that

when the Neighborhood Stabilization Program first began, the Council was very clear in their objective that the City “stays out of the rental business.” Mayor Smith suggested that in order to meet such an objective, it would be important for the City to enter into a partnership with a non-profit agency that would operate/manage the multi-family rental property once it was rehabilitated.

Responding to a question from Mayor Smith, Mr. Thimesch advised that many non-profit agencies, such as Save the Family, MARC Center, and A New Leaf, are looking for multi-family rental properties and would be willing to partner with the City to operate/manage those facilities.

Councilmember Finter noted that as a policy decision, perhaps the Council would consider shifting their focus from rehabilitating single-family homes to multi-family units. He stated that in his opinion, this would be a better use of NSP3 funds and impact the community in a more significant manner.

Further discussion ensued relative to the City’s ability to modify the NSP3 Substantial Amendment if the Council’s priorities with respect to the type of properties that the City purchases with NSP3 monies changed; that such a process entails public meetings, advertisements and HUD approval; that for NSP3, staff proposes to purchase 16 rental property units (i.e., four fourplexes) and 18 single-family homes; that if there was a change with regard to the type of properties that the City purchased, certain census tracts that are primarily residential and do not have rental properties available would be eliminated; and that the foreclosure abandonment risk score is based on the number of subprime loans, defaults and delinquencies in the area.

Mayor Smith remarked that the criteria for NSP3 creates somewhat of a dilemma for the City in that there could be neighborhoods in which slumlords own properties that have not been foreclosed on and yet would not score high enough to qualify for the program.

Ms. Albright clarified that the proposed resolution that would authorize the City Manager to sell City residential properties is somewhat different than the NSP1 process in that it would apply to residential properties purchased and rehabilitated with any Federal funds and not just NSP monies.

Mayor Smith stated that it was the direction of the Council that staff continue to work on the procurement issue and present options to one of the Council Committees for consideration. He also noted that the Council would apply the same approval process to NSP3 as they did for NSP1 and NSP2.

Mayor Smith further commented that although the Neighborhood Stabilization Program is geared toward homeownership, he would support using a portion of the NSP3 funds to target the rehabilitation of small fourplexes that have the ability to “drag down” areas in the community to a greater degree than would single-family homes.

Mr. Thimesch pointed out that the City of Mesa could use HOME funds in order to purchase small rental properties. He reiterated that in the City’s Annual Action Plan, staff designated that \$200,000 be earmarked for rental costs and \$400,000 for homeownership. He stated that such allocations could be modified and noted that it was an easier process to accomplish as

compared to the Neighborhood Stabilization Program. He added that HOME funds can be used to purchase any property and are not limited to specific census tracts or foreclosed properties.

Councilmember Kavanaugh commented that the City does, in fact, have “other pots of Federal monies” that can be used for the purchase of rental properties. He said that it was important to remember that the primary purpose of the Neighborhood Stabilization Program was to address the effect of foreclosed and abandoned homes, to rehabilitate the properties and find buyers to purchase the homes.

Councilmember Kavanaugh further remarked that the Council has discussed different housing problems in the community today and noted that the City has other options available in order to deal with those matters. He reiterated that it was important to not diminish the value of the NSP funds.

Mayor Smith stated that he appreciated Councilmember Kavanaugh’s clarification that the Neighborhood Stabilization Program has a very narrow focus. He also acknowledged that other Federal programs, such as HOME, would provide the necessary funding to rehabilitate multi-family properties that negatively impact certain neighborhoods in the community. Mayor Smith, in addition, encouraged his fellow Councilmembers to apprise staff of specific properties in their districts that might benefit from such rehabilitation efforts.

Mayor Smith thanked Ms. Albright and Mr. Thimesch for their presentation.

2-b. Hear a presentation, discuss and provide direction on Discovery Point Retirement Apartments.

Mayor Smith advised that this item was continued to a future Study Session.

2-c. Hear a presentation, discuss and provide direction on combining the Human Services and Housing Advisory Boards.

Ms. Albright displayed a PowerPoint presentation (**See Attachment 2**) and reported that staff proposes to merge the Human Services Advisory Board and the Housing Advisory Board into the Housing and Community Development Advisory Board (HCDAB).

Mr. Albright briefly discussed the formation and responsibilities of both boards. (See Pages 2 and 3 of Attachment 2) She explained that over the years, the role of the boards has expanded and now includes the annual selection/allocation process of the City’s sub-recipients for its Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG) and General Fund (Human Services) Programs.

Ms. Albright indicated that Council adoption of the proposed ordinance changes would result in the consolidation of both boards; streamline the application and funding process of the City’s various entitlement programs; expand the HCDAB’s role to assist staff in updating the City’s Five-Year Consolidated Plan; and develop future goals and objectives for the City’s entitlement programs.

Ms. Albright briefly reviewed the composition of the new board, which would consist of 11 members. (See Page 5 of Attachment 2) She noted that the Human Services Advisory Board

and the Housing Advisory Board support the merger of the two boards. Ms. Albright, in addition, highlighted the duties of the HCDAB. (See Pages 6, 7 and 8 of Attachment 2)

Councilmember Kavanaugh voiced support for staff's proposal.

Councilmember Richins commented that combining the two boards would streamline the City's efforts with respect to allocating the Federal funds it receives and maintaining public involvement in the process.

Discussion ensued relative to the fact that in last year's Annual Action Plan, the Council approved \$200,000 of HOME funds to be allocated toward rental costs and \$400,000 for homeownership; that as part of the Annual Action Plan, the Council authorized the Housing Advisory Board to determine which programs would receive such monies; and that staff proposes, as part of the HCDAB's duties, that it "participate in the evaluation process and make final funding allocations of any other grant or social service funds that may become available to the City as directed by the City Council or Housing and Community Development Department staff."

Mayor Smith stated that it was the consensus of the Council that staff move forward with their proposal.

2-d. Appointments to Board and Committees.

Mayor Smith recommended the following appointments or reappointments to Boards and Committees:

BOARD OF ADJUSTMENT

Wade Swanson – Term expires June 30, 2014

DESIGN REVIEW BOARD

J. Taylor Candland – Term expires June 30, 2015

FIRE DEPARTMENT PENSION BOARD

Marty Whalen – Term expires June 30, 2016

MUSEUM & CULTURAL ADVISORY BOARD

Karina Wilhelm – Term expires June 30, 2013

PLANNING & ZONING BOARD

Michael Clement – Term expires June 30, 2015

POLICE PENSION BOARD

Marty Whalen – Term expires June 30, 2016

It was moved by Vice Mayor Somers, seconded by Councilmember Glover, that the Council concur with the Mayor's recommendations and the appointments be confirmed.

Carried unanimously.

3. Acknowledge receipt of minutes of various boards and committees.

3-a. Parks and Recreation Board meetings held January 11 and March 14, 2012.

3-b. Museum and Cultural Advisory Board meeting held May 24, 2012.

3-c. Transportation Advisory Board meeting held June 19, 2012.

It was moved by Councilwoman Higgins, seconded by Councilmember Finter, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

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

There were no reports on meetings and/or conferences attended.

5. Scheduling of meetings and general information.

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

Monday, August 20, 2012, 5:15 p.m. – Study Session

Monday, August 20, 2012, 5:45 p.m. – Regular Council Meeting

6. Items from citizens present.

There were no items from citizens present.

7. Convene an Executive Session.

It was moved by Vice Mayor Somers, seconded by Councilwoman Higgins, that the Council adjourn the Study Session at 8:28 a.m. and enter into Executive Session.

Carried unanimously.

7-a. Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. §38-431.03A (1))

1. City Manager Review

8. Adjournment.

Without objection, the Executive Session adjourned at 9:01 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, 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 16th day of August, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

pag
(attachments – 2)

Neighborhood Stabilization Program (NSP) 3 & Purchase and Rehabilitation of Homes

August 16, 2012

NSP 1 Overview

- Federally funded program
- Mesa awarded \$9.6 million in 2009
- Stabilize home values
- Reduce vacant or abandoned property
- Increase sales of residential property
- Increase median market values of real estate



NSP 1 Overview & Results

- **Required 100% funding committed in 18 months**
- **All funds were committed and 92% expended before deadline**

Home Ownership



- **39 homes purchased & rehabilitated**
- **29 homes sold**
- **\$2.7 million in program income generated**

NSP 1 Results

Rental

- **10 properties purchased & rehabilitated**
 - 33 units (2 & 3 bedroom)
 - 22 units to Marc Center
 - 11 units to Save the Family
- **New Project - 44 S. Horne**
 - 20 unit of permanent supportive housing
 - Partnership with A&A Cottages and the City of Phoenix
 - Over \$900,000 in Phx. NSP funds and appx. \$150,000 in Mesa NSP funds
 - Construction underway

NSP 1 Results



- **Average rehabilitation cost:**
 - Single family homes - \$77,000 – (5 out of 39 homes exceeded \$100,000)
 - Multi unit buildings - \$50,000 per unit (9 of 10 multi-residential rehab contracts exceeded \$100,000 in total but 0 exceeded \$100,000 per unit)
- **Average time from property purchase to completion of home rehabilitation is 3.5 months**
- **Average time from completion of rehab to owner occupied is about 6 months**

NSP 1 - Rehabilitation Success

- **Bi-annual contractor training meetings**
- **Contractor list includes 26 contractors – 15 are local Mesa contractors**
- **Meets HUD requirements on Section 3 and Minority/Women owned businesses – 8 currently on contractor list**
- **Encourages contract awards to smaller contractors**



Before



After



Before



After

NSP 3 Objectives

- **Stabilize homes values**
- **Reduce vacant or abandoned property**
- **Increase sales of residential property**
- **Increase median market values of real estate**
- **Requires 50% expenditure in 2 years – March 2013 (apx. 2 million)**
- **100% expenditure in 3 years (over 4 million)**
- **Staff feels this can be achieved if the City maintains the existing NSP-1 streamlined processes**



Staff Implementation Proposal

Approval to spend \$4,019,457 under the NSP 3 grant to purchase and rehabilitate residential properties for home ownership.

- Continue the existing successful NSP – 1 process for purchasing, rehabilitation and sale of residential properties**
- All contracts (including emergency rehab) will be added to the quarterly council report produced by Purchasing**



Proposed Plan

- Allow the City Manager or designee to approve residential rehabilitation that does not exceed \$100,000 per unit on *federally funded* properties**
- Have foreclosed on a home where the owners lost the home and they were purchased for tax liens
 - HOME funds are needed to rehabilitate foreclosed homes – staff will present to Housing Advisory Board
 - Stay in compliance with HUD regulations
 - HOC home inventory is unknown at this time

Proposed Plan

Allow approval of the City Manager or designee to sell residential property purchased with Federal funds

- All federal grants have time expenditure requirements
- City Manager authorization to sell residential properties will enable the City to meet HUD time requirements and expedite owner occupancy of properties

Next Steps

If Council desired to continue the expedited NSP -1 process for rehabilitation of all federal funded residential property, the follow changes will be required:

- **Adopt a Resolution to expend NSP-3 funds**
- **Adopt a Resolution authorizing the City Manager to sell City residential properties purchased with federal funds**
- **Modified the City Ordinance on Procurement of Materials, Non-professional contract services and capital improvements to increase the cap permitted on residential rehabilitation contracts to \$100,000 per unit for federal funded projects only.**

Questions ?



Merger of the Housing Advisory Board and Human Services Advisory Board into the Housing and Community Development Advisory Board



August 16, 2012

BACKGROUND

- In October 1996, both boards were consolidated into the Housing and Human Services Advisory Board.
- In February 2006, both boards were separated into the Human Services Advisory Board and the Housing Advisory Board. The impetus for the separation was the creation of the Housing Master Plan of 2004.
- Human Services Advisory Board advises Council about operating and developing city-wide Human services polices and serves as a public forum for citizen input concerning human services priorities and planning.

BACKGROUND

- Housing Advisory Board's primary responsibility was to advise Council on the implementation of the 2004 Housing Master Plan.
- Role of the both boards has expanded -- now includes a significant part in the annual selection/allocation process of the City's subrecipients for its Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and general fund (human services) programs.

DISCUSSION

- Adoption of the proposed ordinance changes would result in the following:
- Consolidation of both boards.
- Creation of a revised approach that streamlines the application and funding process of the City's entitlement (CDBG, HOME, and ESG) and general fund (Human Services) programs.
- An expanded role of the new Board's function in developing future goals and objectives for the City's entitlement (CDBG, HOME, and ESG) and general fund (Human Services) programs.

BOARD COMPOSITION

- The new Board would be comprised of 11 members:
 - One (1) person from a financial institution;
 - One representative from nonprofit providers;
 - One representative of manufactured housing;
 - One representative from special needs providers;
 - One representative from multi-family housing development providers;
 - One representative from single-family housing development providers; and,
 - Five (5) community representatives.

BOARD DUTIES

- Duties of the new Board include the following:
- Review and make recommendations to the City Council regarding the City's General Plan Housing Element and Housing Master Plan.
- Provide requested assistance to City departments and divisions on housing issues to ensure compatibility with the City's General Plan Housing Element and Housing Master Plan.
- Review and make recommendations to the City Council on the operation of the housing programs managed by the City's Housing and Community Development Department as requested.

BOARD DUTIES

- Participate in the annual evaluation process and, with City Council approval, make final allocations of the applications for funds awarded to the City by the U.S. Department of Housing and Urban Development for the following programs:
 - Community Development Block Grant (CDBG);
 - HOME Investment Partnerships (HOME);
 - Emergency Solutions Grant (ESG); and
 - Neighborhood Stabilization Program (NSP)
- Assess the human services needs of the community, determine any gaps in service, and utilize this information to develop priorities for Human Services funding, A Better Community funds, and any other grant or social service funds that may become available to the City.

BOARD DUTIES

- Participate in the annual evaluation process and, when directed by City Council, make final allocations of the applications for Human Services funds and A Better Community funds.
- Participate in the evaluation process and make final funding allocations of any other grant or social service funds that may become available to the City as directed by City Council or Housing and Community Development department staff.
- Perform such other powers and duties as may be approved by City Council.

ALTERNATIVES

- Do nothing and keep the boards as two distinct and separate entities.
- Merge the boards together under the proposed ordinance changes.

REQUESTED COUNCIL ACTION

- Repeal Title II, Chapter 2 of the City Code (Human Services Advisory Board).
- Revise Title II, Chapter 24 of the City Code (Housing Advisory Board) to incorporate functional and structural changes that merge both boards into a unified board known as the Housing and Community Development Advisory Board.

Questions and Discussion