

DATE: April 7, 2014

TO: Mesa City Council

THROUGH: Michael Kennington, Chief Financial Officer

FROM: Tammy Albright, Director, Housing and Community Development Department

SUBJECT: Mesa Substantial Amendments

Resolutions Authorizing:

- 1) The Third Substantial Amendment to the FY 2011/2012 Annual Action Plan;
- 2) The First Substantial Amendment to the FY 2012/2013 Annual Action Plan; and,
- 3) The First Substantial Amendment to the FY 2013/2014 Annual Action Plan.

Covering the Following Programs:

HOME Investment Partnerships Program (HOME)

Council District: Citywide

**STRATEGIC
INITIATIVES:**



Purpose and Recommendation

The purpose of this report is to request that City Council approve resolutions authorizing Substantial Amendments to the City's Annual Action Plans for FYs 2011/2012, 2012/2013 and 2013/2014.



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The Substantial Amendments include the following:

- 1) The Third Substantial Amendment to the FY 2011/2012 Annual Action Plan converts some of the designated HOME funds approved for homeownership programs, unallocated funds or program income to rental housing.
- 2) The First Substantial Amendment to the FY 2012/2013 Annual Action Plan converts some of the designated HOME funds approved for homeownership programs, unallocated funds or program income to rental housing and to modifies the process for approval of the projects from the Housing and Community Development Advisory Board to City Council.
- 3) The First Substantial Amendment to the FY 2013/2014 Annual Action Plan converts some of the designated HOME funds approved for homeownership programs, unallocated funds or program income to rental housing and to modifies the process for approval of the projects from the Housing and Community Development Advisory Board to City Council.

These Amendments and fund designations would improve the City's capacity to respond to the changing environment within Mesa and provide increased flexibility to address identified needs.

Discussion

On February 20, 2014, City Council heard a presentation on the above fund and process changes and directed staff to move forward with the 30-day public comment period. The 30-day public comment period began on February 24, 2014 and concluded on March 25, 2014.

The required public hearing for all Amendments was held on March 6, 2014 during the Housing and Community Development Advisory Board Meeting and provided the general public with an opportunity to comment in person on the Amendments. No comments have been received. If approved, the Amendments will be filed with HUD.

We have received four requests for City HOME grant fund participation in low-to-moderate housing tax credit projects. On April 3, 2014 the Housing and Community Development Advisory Board will hear presentations from all applicants and make a recommendation to City Council on the priority of funding. The Board has developed a tool to assist with funding decisions and will utilize that tool to make funding recommendations to City Council. City Council will be asked for final funding priorities on April 17, 2014. The four requests total \$1,540,800 in requests for City funding participation.

Background

Over the past few years the City has seen an increase demand in requests for City participation in rental housing developments for low- to moderate-income persons and a decrease in non-profit administered homeownership programs.

In FY2011/2012, FY2012/2013 and FY2013/2014 the City Council approved funds set aside for homeownership activities. However, with the loss of the agency that provided home ownership opportunities, there has been no agency that has applied to operate such program, leaving the funds unspent. In an effort to meet the current community demands and HUD expenditure deadlines, staff is recommending these funds be reallocated to rental housing developments. HUD requires HOME funds be committed to specific projects within two years and expended within four years of an award.

HUD records indicate a total of \$568,095 in unallocated HOME funds or program income that is available to be allocated to rental housing. HUD requires the use of these funds to be outlined in our Annual Action Plan.

In the past two annual plans, City Council delegated the authority to approve HOME funds to specific projects to the Housing and Community Development Advisory Board. This past year the Board approved two Low-Income Tax Credit Projects for a total of \$525,000;

- Algarve Apartments - \$125,000
- El Rancho Apartment Phase I - \$400,000

Also as part of the FY 2013-14 Annual Plan City Council approved \$300,000 for Escobedo Apartments Phase II. Although this project is rental housing project, these funds were awarded under the Community Housing Development Organization (CHDO) set aside requirements.

However, as part of the past two years' Annual Plans, \$598,401 was set aside for Homeownership programs. To date only \$157,110 has been expended, and staff has received no other project requests.

The below chart outlines prior year funds available to be converted to rental housing and includes an estimated \$458,000 for FY 2014/2015 to be used for rental housing:

Program Year	Approved HOME Ownership	Approved HOME Rental	Available Unallocated funds and Program Income	Funds Committed or Awarded (ownership and rental)	Available HOME rental funds (after amendment)
FY 2010/2011	N/A	N/A	\$39,486		\$39,486
FY 2011/2012	N/A	N/A	\$527,341	(\$136,440)	\$390,901
FY 2012/2013	\$410,000	\$200,158	\$1268	(\$357,268)	\$254,158
FY 2013/2014	\$188,401	\$188,402	\$0	(\$188,402)	\$188,401
Total	\$598,401	\$388,560	\$568,095	(\$682,110)	\$872,946

Included in the amendments outlined above is a change in the approval process for specific HOME projects, eliminating the delegation of the final approval to the Housing and Community Development Advisory Board and restoring it back to City Council. All future projects would require the approval of City Council for City participation of HOME funds in a rental housing development. However, this process will still include a recommendation from the Housing and community Development Board to City Council. This will help Council better control development to meet the City needs now and well into the future.

Fiscal Impact

Failure to approve the Substantial Amendments as listed above would leave \$872,946 in unallocated funds or funds only available to home ownership programs. This could affect the City's ability to comply with HUD expenditures for the HOME program. It would also leave the approval process for allocating HOME funds delegated to the Housing and Community Development Advisory Board.

Coordinated With

These Substantial Amendments were released to the public, applicants, other city departments and the Housing and Community Development Advisory Board for review and/or comment and meet the Citizen Participation requirements set by HUD for participation in these federal programs.

Tammy Albright, Housing and
Community Development Director

Michael Kennington
Chief Financial Officer