

City Council Report

Date: July 1, 2014
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Tammy Albright, Housing and Community Development Director
Ray Thimesch, Development Project Coordinator
Rob Schweitzer, Community Revitalization Coordinator
Subject: Transfer of the Property Located at 221 W. 6th Avenue
Council District: 4

Strategic Initiatives



Purpose and Recommendation

The purpose of this report is to request that Council approve a resolution authorizing the transfer of the property located at 221 West 6th Avenue to the Boys and Girls Club of the East Valley. See **Attachment A**.

Background

The Boys and Girls Club of the East Valley (BGC) is a non-profit organization who provides stimulating youth activities to help build character, self-esteem, values and skills. The Grant Woods Branch has served youth and teens in the City of Mesa since 1986. At their current location, 221 West 6th Avenue (Property), BGC serves almost 300 members per day and operates the Mesa Arts Academy with 230 students from kindergarten through eighth grade. Mesa Arts Academy (MAA) is a charter school emphasizing the arts and technology. MAA was added to the programs offered by BGC in 1995 using portable buildings.

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The Property leased by BGC was acquired by the City through a land exchange in the 1950's. In 1993, \$678,984 in Community Development Block Grant Funds (CDBG) and \$975,818 provided by the BGC was used to construct a 29,000 square foot building at the Property and complete the site improvements. The City and the BGC entered into a 20-year lease with an option to renew that expired December 2013; BGC currently occupies the Property as a month-to-month tenant pursuant to A.R.S. § 33-342.

BGC is interested in expanding its programming offered to youth at the Property. To facilitate this expansion, BGC would like to obtain title to the Property so it could be used as collateral for financing additional classroom space for the MAA. See **Attachment B** for request letter. The services offered by BGC are a benefit to Mesa and the surrounding communities because a strong and vital school promotes family stability, higher educational attainment and economic well-being. The additional classroom space will allow MAA an expansion of the services such as adult literacy instruction, parenting classes and computer proficiency.

The plan is to build a \$4 million dollar permanent facility with 20,000 square feet of space for classrooms within the next 3 years. See **Attachment C** for preliminary property layout. In order to pursue their long range plans they need to show ownership of the Property to receive additional financing and support from donors. The current estimated broker value of the Property is \$2,700,000. A Capital Campaign will be conducted to provide the revenue for the new facilities along with possible leveraging of the Property for permanent financing of the new improvements. A leasehold deed still exists on the property on the loan from Bank One in 1994; the BGC is currently working to have that released prior to the transfer of the property.

The BGC / MAA is a community asset located in an area that houses the most at-risk youth and neediest families within the city limits of Mesa. Almost half of those residing in the area are under the age of 18 with a majority of the residents in the neighborhood being Hispanic with Spanish as the primary language. The facility represents a safe place and a place of education for these youth and their families. Seventy-one percent of the youth and teens who attend the MAA live at or below the poverty level with over 65% residing in surrounding neighborhoods. Many of the students learned English there for the first time. In the past two years, the average daily attendance has nearly doubled.

The MAA is an 'Excelling School' and has received an A+ designation with a recent charter extension that expires June 30, 2031. The MAA has won state and national awards for innovative education and preparing students for post-secondary education. The Arizona Charter School Association recently rated the MAA as one of the top three schools in Arizona for increasing student achievement.

Alternatives

Staff has identified the following alternatives:

1. Transfer ownership of the property at 221 West 6th Avenue. Transferring ownership to the BGC will allow them to continue to use the Property to serve the youth and families in Mesa. The transfer would allow BGC to pursue constructing an additional facility and add permanent classrooms and learning areas for the school.

The U.S. Department of Housing and Urban Development CDBG regulations require a minimum “5 year continued use” restriction be placed on the Property from time of ownership transfer. City staff also recommends that deed restrictions be placed on the Property restricting the use of the Property to a community center and charter school until June 30, 2031 to ensure the Property is used for the benefit of the citizens of Mesa and the surrounding area following the transfer.

In 2011 the City Council approved modifications to the policy for transferring property to non-profits; the transfer of the Property to BGC would meet the requirements. See **Attachment D** for Resolution No. 9800.

2. Enter into a new lease with BGC. The Council could choose to enter into a new lease agreement with BGC for the Property.
3. Terminate the lease. The Council could choose to terminate the lease agreement.

Fiscal Impact

The fiscal impact to the City will be zero, as long as the facility at 221 West 6th Avenue continues to be used for a CDBG-eligible purpose for the five-year continued use period, and additional 17-year property use restriction in order to satisfy the gift clause. The City’s original lease on the Property was not intended to secure payment of funds, but rather to ensure that the Property is used for a CDBG-eligible purpose and as a community asset for the twenty year period beginning on December 2, 1993.

Coordinated With

This recommendation has been coordinated with the City of Mesa Housing and Revitalization Division and Real Estate; staff consulted with the City Attorney’s Office.