

## COMMUNITY & CULTURAL DEVELOPMENT COMMITTEE

June 5, 2014

The Community and Cultural Development Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 5, 2014 at 8:47 a.m.

### COMMITTEE PRESENT

David Luna, Chairman  
Dennis Kavanaugh  
Dave Richins

### COMMITTEE ABSENT

None

### STAFF PRESENT

Natalie Lewis  
Dee Ann Mickelsen  
Alfred Smith

#### 1. Items from citizens present

There were no items from citizen present.

#### 2-a. Hear a presentation, discuss and make a recommendation on the revision to the HOME Loan Agreement and Promissory Note and Mercy Housing Arizona-I Limited Partnership regarding the Villas de Merced Apartments.

Housing and Community Development Department Director Tammy Albright introduced Development Project Coordinator Ray Thimesch, who provided a brief history of Mercy Housing Arizona and the Villas De Merced Apartments loan agreement. **(See Attachment 1)** He explained that the property was built in 1999 using Arizona State Low Income Housing Tax Credits and City of Mesa HOME Investment Partnership Funds. He added that the project is located at 520 North Mesa Drive, that the property is well-kept, and is in compliance with the HOME Loan guidelines.

Mr. Thimesch stated that Mercy Housing Arizona received a loan in the amount of \$305,000, with an interest rate of 6% per annum over a 20-year term. He explained that the project consisted of four units, and as part of the contract, the owners were to pay the annual payments with "surplus cash," with all remaining unpaid principal and interest being due at the end of the term. He reported that there are no funds to be reinvested and that Mercy Housing Arizona has not made any payments since the inception of the loan due to the lack of "surplus cash." He added that the project does not have sufficient revenues from rent to keep the property in compliance, which has resulted in Mercy Housing spending over \$500,000 of their own funds. (See Pages 3 through 5 of Attachment 1)

Mr. Thimesch reported that Mercy Housing Arizona is planning to sell the Villas de Merced Apartments and is asking that the interest on this loan in the amount of \$425,950 be forgiven. He added that Mercy Housing Arizona is willing to pay back the principal amount of \$305,000 to the Maricopa County Consortium. He explained that the deed of trust would be released and that the City of Mesa would ensure that the restricted covenants in effect remain active for the next six years as the City is required (under the HOME Program) to monitor the facility until May 2020. He pointed out that the new buyer, ReNUE Properties, intends to maintain and improve the property to remain in compliance with HOME regulations and make the property more marketable.

In response to questions from Committeemember Richins, Mr. Thimesch stated that no additional funds can be invested in this property within the six-year affordability period. He explained that after the loan is paid to Maricopa County, that it is not possible to re-coup the monitoring fees or amend the contract agreement to incorporate those expenses.

Ms. Albright explained that although the HOME Program has a 10% administrative budget, there is additional funding available from the Community Development Block Grant (CDBG) funding that can be used, if needed. She added that this revenue will provide assistance in monitoring the property. She noted that the proposed structuring of this loan is consistent with today's HOME agreements.

Committeemember Kavanaugh commended staff for their presentation, however, he expressed disappointment in the outcome related to the disclosure of the surplus funds, and stated that he will not support this item.

Committeemember Richins stated that this project has served the community with quality housing and moved that this proposal be forwarded to the full Council for consideration.

It was moved by Committeemember Richins, seconded by Chairman Luna, that this item be forwarded to the full Council for further discussion and consideration.

Upon tabulation of votes, it showed:

AYES - Luna-Richins

NAYS - Kavanaugh

Chairman Luna declared the motion carried by majority vote.

Chairman Luna thanked staff for the presentation.

2-b. Hear a presentation, discuss and make a recommendation regarding a potential Substantial Amendment to the FY 2014/2015 Annual Action Plan.

Housing and Community Development Department Director Tammy Albright displayed a PowerPoint presentation. **(See Attachment 2)** She reported that last year the La Mesita Project did not complete their five year continued use on the property before it went to permanent supportive housing, which resulted in \$300,000 being paid back to the City.

Ms. Albright explained that the City of Mesa is not required to return the money to the U.S. Department of Housing and Urban Development and can retain the money as program income. She added that \$110,000 of allocated funding for the East Valley Adult Resources Senior Center Solar Panel Project was cancelled. She stated that the Senior Center would like to retain the funds in order to make improvements to areas such as workshops and restrooms. She commented that there is \$40,000 in prior year unallocated funds, as well as \$108,000 in the current Fiscal Year 2014/15, for a total of \$558,000 which is available for reallocation.

Ms. Albright added that a substantial amendment is being sought on the approved FY 2014/15 Annual Budget Plan in order to reallocate the Senior Center funds. She explained that there is flexibility with respect to moving funds and added that she is seeking direction from the Committee on the reallocation of the \$110,000.

Ms. Albright explained that there is also interest in using these funds to make improvements to Pioneer Park. She advised that after all other allocations, any remaining amount could be used for Pioneer Park improvements.

In response to a question from Committeemember Kavanaugh, Environmental and Sustainability Department Deputy Director Scott Bouchie provided background information relative to the cancellation of the solar project. He explained that this particular solar project is not financially sound due to expenditures such as maintenance, roof top installation, and panels. He added that since this is older technology, there is a large amount of inefficiency in kilowatt hours that is not cost effective.

Mesa Counts on College Director Amy Trethaway explained that an additional \$67,000 is being requested for tentative improvements to A New Leaf, which include upgrading the air conditioning system, adding brochure racks, vertical blinds, cabinets, shelving and tables. She explained that \$58,000 is a 10% contingency amount that the Engineering Department has requested for change orders.

In response to questions from Committeemember Kavanaugh, Ms. Albright advised that the Housing and Community Development Department will meet with Engineering to confirm that each line item is an eligible grant expense.

In response to a question from Committeemember Richins, Ms. Trethaway explained that the Mesa Counts on College lease at A New Leaf is a long-term lease that can range from five to fifteen years, with five years being the minimum in order to utilize CDBG funding.

Committeemember Richins commented that the capital improvements at that site will benefit A New Leaf more so than Mesa Counts on College.

Chairman Luna commented that the Mesa Counts on College partners, Mesa Public Schools and Mesa Community College, are providing human capital.

Ms. Trethaway added that our partners in this project are also providing a substantial amount of programming, staffing, technology, furniture, workshops and marketing, which are not related to construction costs.

Committeemember Kavanaugh expressed concern relative to the location selection and that he did not recall a Council presentation requesting input and to identify alternative sites that might better serve students, families and community partners. He added that other existing buildings could have offered wider opportunities for the community with better access, parking, and reduced costs.

Chairman Luna explained that he was part of the Mesa Counts on College initiative and recalls that the location at A New Leaf was unanimously approved by the Community Committee and was selected because of its central location in Mesa.

Ms. Albright advised that Oakwood Creative Care is asking for \$47,000 to upgrade the AC units, install an industrial vinyl flooring upgrade, maintain landscaping, as well as provide modifications to an activity room. She added that this funding needs to be spent before the May 2015 deadline and requested direction relative to forwarding this to the full Council.

It was moved by Committeemember Richins, seconded by Committeemember Kavanaugh, that this item be forwarded on to the full Council for further discussion and consideration.

Carried unanimously.

Chairman Luna thanked staff for the presentation.

3. Adjournment.

Without objection, the Community and Cultural Development Committee meeting adjourned at 9:16 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Community and Cultural Development Committee meeting of the City of Mesa, Arizona, held on the 5<sup>th</sup> day of June, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

# Villas De Merced

Tammy Albright  
Housing and Community Development  
Director  
June 5, 2014

# History

- Located at 520 N. Mesa Drive
- Built in 1999 using Arizona State Low Income Tax Credits and City of Mesa HOME funds through the Maricopa Consortium
- 97 units for low income households
- Well-kept and in compliance

# History

HOME Loan Agreement for \$305,000

- Interest rate of 6% annum for 20 year term
- Annual payments to be made for “Surplus Cash”
- Remaining unpaid principal and interest due at the end of the 20 year term
- No Payments
- No “Surplus Cash” revenue to repay the loan
- Mercy House has spent over \$500,000 of their own funds recently to make necessary improvements to the property

# Current Obligations

- City to monitor for the next six (6) years of the affordability period – May 2020



# Villas De Merced Proposal

Selling the Property to ReNUE Properties

- Proposing repayment of the original loan of \$305,000 to Maricopa County
- Deed of Trust released
- HOME Restrictive Covenants on the four (4) HOME-assisted units to remain until May 2020
- Project will be monitored to confirm the HOME grant affordability period

# Staff Recommendation

- Payment of the original loan amount of \$305,000 back to Maricopa County and forgive the interest of \$425,950
- Continuation of the affordability period for the four (4) HOME assisted units until May 2020
- The \$305,000 returned to Maricopa County as program income
- Funds will not be reinvested in Mesa
- Agreement would be consistent with current HOME loan agreements at 0% interest

# Questions ?

# **First Substantial Amendment to the Annual Action Plan for FY 2014/2015**

Tammy Albright  
Housing and Community  
Development Director



**A Presentation to the Community & Cultural Development Committee  
June 5, 2014**

## **Additional Funding Available**

- \$300,000 in program income from the LaMesita Project
- \$110,000 from the cancellation of the EVDR Senior Center Solar Panel Project
- \$40,000 in prior year unallocated funds
- \$108,000 in FY2014/15 unallocated funds
- Total available unallocated funds:
  - **\$558,000**

# Why Are We Here?

- Seeking direction regarding a potential Substantial Amendment to the FY 2014/2015 Annual Action Plan.
- Determine support for the funding for Pioneer Park.
- Determine reallocation of Senior Center Solar Project to possible other improvements.
- Determine the funding awards for \$300,000 received in Program Income.
- Determine support for additional funds for two projects awarded funding in the current 2014/15 annual action plan.



# New Projects to be Funded

- **Pioneer Park**
  - Additional funding would enhance the overall project in addition to previously allocated bond funds
  - Create a unique play experience to help increase positive park activity
  - While play components are still being reviewed additional funding would allow for:
    - Enhanced play features
    - Shade structures
  - Budget undetermined
- **Possible Senior Center Improvements**
  - \$110,000 was awarded for Solar Panels

# **Project Budgets – Mesa Counts on Collage**

- Woodwork/Brochure Racks
- Cabinets/Shelving/Tables
- Vertical Blinds
- Signage
- Energy efficiency upgrade to A/C system
- Item were alternate items in original budget
- Total Estimated Cost: **\$127,000**



# Project Budgets – Oakwood Creative Care

- Modifications to Activity Room 116
- Landscaping
- VCT Flooring (industrial grade vinyl)
- 10% Contingency
- Total cost estimate - **\$47,000**

# TIMELINE

ACTIVITY		DATE(S)
Community & Cultural Development Committee Meeting		June 5, 2014
Housing and Community Development Advisory Board		June 5, 2014
City Council Study Session		June 19, 2014
30-Day Public Comment Period		June 30, 2014 – July 29, 2014
Public Hearing		July 10, 2014
Amendment Approval by Council		August 18, 2014
Amendment Submission to HUD		August 20, 2014

## Next Steps?

- Seek direction from full City Council
- Advertise in local paper
- Open a 30-day public comment period
- Recommend approval of final resolution to City Council
- File with HUD

# Questions and Discussion