

COUNCIL MINUTES

June 26, 2014

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 June 26, 2014 at 7:34 a.m.

COUNCIL PRESENT

Alex Finter
Terry Benelli
Christopher Glover
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

David Luna

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

(Mayor Finter excused Councilmember Luna from the entire meeting.)

1. Review items on the agenda for the July 1, 2014 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 revision to the HOME Loan Agreement and Promissory Note with Mercy Housing Arizona-I Limited Partnership regarding the Villas De Merced Apartments.

Housing and Community Development Director Tammy Albright and Development Project Coordinator Ray Thimesch addressed the Council relative to this agenda item.

Ms. Albright displayed a PowerPoint presentation (**See Attachment 1**) and provided a brief historical overview of the property agreement for the Villas De Merced Apartments, which are located at 520 North Mesa Drive. She explained that in 1999, the project was built using Arizona State Low Income Tax Credit and City of Mesa Home Investment Partnerships Program (HOME) funds through the Maricopa County Consortium (Consortium). She stated that the City was a member of the Consortium at that time. She added that the property, which consists of 97 units for low-income households, is well maintained and within housing compliance standards.

Ms. Albright explained that when HOME funds were awarded for the project, Mercy Housing signed a loan agreement with the City in the amount of \$305,000. She noted that the loan agreement included an interest rate of 6% per annum over a 20-year term. She commented that Mercy Housing was required to make annual payments with surplus cash and said that any remaining unpaid principal and interest would be due at the end of the 20-year term. She pointed out that Mercy Housing has not made any payments and added that it had no surplus cash in order to repay the loan.

Ms. Albright remarked that Mercy Housing has recently spent more than \$500,000 of its own funds to make various improvements to the property and maintain the site. She added that Mercy Housing currently has an affordability period in place for four HOME-assisted units, which will expire in May 2020.

Ms. Albright indicated that Mercy Housing would propose, upon the sale of the property, to repay only the original loan amount of \$305,000 to the Consortium, but not be required to pay the interest on the loan, which amounts to \$275,000. She stated that the new owners of the property, ReNUE Properties, have agreed to continue to maintain the four HOME-assisted units on the property, in compliance with HOME regulations, until May 2020.

Ms. Albright also commented that it was staff's recommendation, at a minimum, that Mercy Housing pay back the original loan amount of \$305,000 to the Consortium. She explained that when staff reviews the closing documents, if it is determined that there are sufficient proceeds from the sale of the property, then Mercy Housing would be required to repay the interest on the loan.

Ms. Albright remarked that should something happen between now and 2020, wherein the HOME-assisted units are not maintained within the affordability period and the project is considered "a failed project," per the U.S. Department of Housing and Urban Development's (HUD) definitions, the monies would have already been paid back and the City would be under no further obligation.

In response to a question from Councilmember Benelli, Ms. Albright clarified that this matter is similar to what occurred with Discovery Point Retirement Living, but pointed out that no interest was collected on that loan. She also noted that the new HOME contracts include a zero percent interest rate.

Councilmember Kavanaugh commented that he was on the City Council that originally approved this agreement. He remarked that although staff has done a good job of "fixing a bad problem," in his opinion, the City has been misled by the developer throughout the years. He stated that in good conscience, he will not support the proposal.

Responding to a question from Vice Mayor Glover, Ms. Albright explained that if this property were determined to be a failed project, HUD would require that the original loan amount be paid back. She pointed out that if staff modifies the terms of the loan at this time and such terms are, for instance, that the original amount be paid back, then the City would no longer be obligated with respect to the loan.

It was moved by Councilmember Richins, seconded by Councilmember Benelli, that staff's recommendations be approved.

Upon tabulation of votes, it showed:

AYES – Finter-Benelli-Glover-Richins-Somers

NAYS – Kavanaugh

ABSENT – Luna

Mayor Finter declared the motion carried by majority vote of those present.

Mayor Finter thanked staff for the presentation.

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

Housing and Community Development Director Tammy Albright displayed a PowerPoint presentation (**See Attachment 2**) and provided a brief overview of this agenda item.

Ms. Albright reported that subsequent to the time that the Council approved staff's Annual Action Plan and the document was submitted to the U.S. Department of Housing and Urban Development (HUD), the agency provided the City additional direction. She explained that the City collected \$300,000 from La Mesita when the non-profit converted the property from a homeless shelter to supportive housing. She stated that HUD determined that those monies were program income. She noted that the City did not meet its 1.5% ratio this year and added that next year, staff wants to ensure that the additional monies do not remain unallocated.

Ms. Albright also commented that the Easy Valley Adult Resources (EVAR) Senior Center Solar Project was earmarked for funding in the Annual Plan and said that staff intended to bring back the item to the Council for final approval. She noted, however, that it was determined that the project was not a good use of the funds, which resulted in the project being cancelled. She pointed out that the EVAR Senior Center requested that the City retain \$110,000 to be used for improvements at the facility. She added that staff generally retains a certain amount of unallocated funds to keep in reserve which, at the present time, total \$558,000.

Ms. Albright explained that staff was seeking the Council's direction relative to moving forward with a potential Substantial Amendment to the FY 2014/15 Annual Action Plan. She indicated that additional funding has been requested for the Pioneer Park project in order to supplement the previously allocated bond funds. She stated that the monies would be used to fund enhanced play features and create shade structures. She noted, however, that a budget has yet to be determined.

Ms. Albright remarked that with respect to the Senior Center improvements, she was advised by Facilities Maintenance that there was approximately \$150,000 worth of maintenance items that are not yet budgeted. She suggested that an alternative option might be to refrain from allocating the \$110,000 to the EVAR Senior Center at this time and wait until staff has the opportunity to meet with Facilities Maintenance and Engineering personnel to actually visit the site. She said that staff could make a determination with respect to what kind of rehabilitation is needed at the facility in order to sustain it for the next 10 to 15 years, after which time the EVAR Senior Center could submit an application in 2015 to request additional funds. She added that in such a scenario, the \$110,000 could be used to fund the Pioneer Park improvements.

Ms. Albright highlighted two projects that were funded as part of the original Annual Action Plan and are now requesting additional dollars. She explained that Mesa Counts on College was requesting \$127,000 in additional funding, while Oakwood Creative Care was requesting an additional \$47,000. (See Pages 5 and 6 respectively of Attachment 2) She added that both projects are currently being reviewed by the Engineering Department.

Councilmember Kavanaugh commented that it appeared as though the request for additional funds came from City staff as opposed to outside agencies.

Ms. Albright confirmed Councilmember Kavanaugh's comment. She acknowledged that with respect to capital improvement projects, sometimes after a bid has been obtained, the original estimates increase from what was anticipated. She noted that this could be a result of higher prices for materials or perhaps other issues arising. She said that was the reason that staff retains a portion of funding in reserve.

City Manager Christopher Brady provided brief background information regarding the Pioneer Park project. He explained that not long after the City originally established the budget for Pioneer Park, the decision was made to shift funding from Taylor Junior High School to the Mesa High School regional pool project. He added that as a result, the Mesa High School project grew, which resulted in Vice Mayor Glover agreeing to allow the City to move a portion of the funding out of Pioneer Park in order to support the project.

Mr. Brady, in addition, commented that the original budget for Pioneer Park was much larger than what staff has been working with today. He said that the additional funding being proposed by Ms. Albright could be spent quickly and perhaps compensate for some of the dollars that were redirected in order to support the regional pool at Mesa High School.

Ms. Albright requested that the Council direct staff to move forward with the Substantial Amendment. She displayed a timeline outlining the upcoming steps in the process. (See Page 7 of Attachment 2) She reiterated that staff would recommend that the \$110,000, which was originally awarded for the EVAR Senior Center Solar Project, be applied to the Pioneer Park project. She explained that this would allow staff to work with the Facilities Maintenance and Engineering Departments to assess what kind of rehabilitation is needed at the Senior Center. She added that next year, the City could revisit the issue of funding for a project on a much larger scale.

Mayor Finter commented that the EVAR Senior Center does amazing work in the community and expressed support for staff conducting an assessment of the facility.

Ms. Albright assured the Council that staff would bring back the comments and input that they receive during the 30-day public comment period.

Mayor Finter stated that it was the consensus of the Council that staff move forward with the Substantial Amendment to the Annual Action Plan for FY 2014/15.

Mayor Finter thanked staff for the presentation.

3. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council).

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

4-a. Transportation Advisory Board Meeting held on May 20, 2014.

4-b. Audit, Finance and Enterprise Committee meeting held on June 2, 2014.

4-c. Judicial Advisory Board meetings held on February 3 and March 5, 2014.

It was moved by Vice Mayor Glover, seconded by Councilmember Kavanaugh, that receipt of the above-listed minutes be acknowledged.

Mayor Finter declared the motion carried unanimously by those present.

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

Councilmember Kavanaugh: 2014 Maricopa Association of Governments (MAG) Desert Peaks Awards

6. Scheduling of meetings and general information.

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

Tuesday, July 1, 2014, 5:15 p.m. – Study Session

Tuesday, July 1, 2014, 5:45 p.m. – Regular Council Meeting

Thursday, July 3, 2014, 7:30 a.m. – Study Session – CANCELLED

Friday, July 4, 2014, 6:00 p.m. – Arizona Celebration of Freedom

Tuesday, July 8, 2014, 5:05 p.m. – Study Session

Tuesday, July 8, 2014, 5:45 p.m. – Regular Council Meeting

Mr. Brady provided a brief overview of the City of Mesa's Community Annual Report, which will be made available today online for the public to view.

7. Convene an Executive Session.

It was moved by Vice Mayor Glover, seconded by Councilmember Kavanaugh that the Study Session adjourn at 8:00 a.m. and the Council enter into an Executive Session

Mayor Finter declared the motion carried unanimously by those present.

- 7-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

1. Simpson v. City of Mesa, et al., CV-13-01354-NVW

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)):

2. City Attorney Review
3. City Auditor Review
4. City Clerk Review

8. Adjournment.

Without objection, the Executive Session adjourned at 9:07 a.m.

ALEX FINTER, MAYOR

ATTEST:

DEE ANN MICKELSEN, 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 26th day of June, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Villas De Merced

Tammy Albright
Housing and Community Development
Director
June 26, 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 from “Surplus Cash”
- Remaining unpaid principal and interest due at the end of the 20 year term
- No Payments have been made
- No surplus 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 **only** the original loan amount of \$305,000 to Maricopa County
- Interest (\$274,500) on the loan would not be paid
- 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

- At a minimum, payment of the original loan amount of \$305,000 back to Maricopa County
- Collect the interest if there are sufficient proceeds from the sale of the property
- Continuation of the affordability period for the four (4) HOME assisted units until May 2020
- The funds returned to Maricopa County as program income
- Funds will not be reinvested in the Mesa

Questions ?

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

Tammy Albright
Housing and Community
Development Director



**A Presentation to the City Council
June 26, 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 College

- 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 26, 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