

City Council Report

Date: November 3, 2014
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Tammy Albright, Housing and Community Development Director
Ray Thimesch, Development Project Coordinator
Subject: Fifth Substantial Amendment to the Neighborhood Stabilization
Program 1 to allow funding of Public Facilities
Council District: 4

Strategic Initiatives



Purpose and Recommendation

The purpose of this report is to request approval from City Council for the resolution authorizing a Fifth Substantial Amendment to the FY 2008/2009 Annual Action Plan that is part of the Five Year Consolidated Plan for FY 2005/2009. The Five Year Consolidated Plan governs activities funded through the federal Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) programs. The FY 2008/2009 Annual Action Plan was modified to accept the Neighborhood Stabilization Program 1 grant and is required to be amended by resolution to add new eligible activities and to reallocate funds.

This Amendment would revise the funding allocations and expand the "Acquisition/Demolition/Reconstruction" eligible use as follows:

Neighborhood Stabilization Program 1 (NSP1):

- Acquisition/Demolition/Reconstruction: from \$145,000 to \$2,600,000
- To include construction of public facilities as an eligible activity

This program is being amended to distribute funds to the Mesa Junior High Public Park project, also known as "Eagle's Park", and provide the City with

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enhanced flexibility to meet the Department of Housing and Urban Development's (HUD) grant close out requirements.

See **Attachment A** for the proposed amendment

Background

On September 26, 2008, HUD awarded the City with \$9,659,665 in NSP 1 grant funds to help address abandoned and foreclosed properties.

NSP funds are required to be distributed and used in the City's area of greatest need as defined by HUD. The City's area of greatest need should contain those census tracts and block groups having: 1) a high percentage of home foreclosures; 2) the highest percentage of homes financed by a subprime related loan; and, 3) those likely to face a significant rise in the rate of home foreclosures. Staff's assessment of having the greatest need, at the direction of Council, was the 85204 zip code. Staff also examined high concentrations of code compliance violations and crimes in the zip code.

The 85204 zip code area is approximately from Main Street to Baseline Road and from Mesa Drive to Val Vista Drive and is the primary focus for the NSP 1 grant. Mesa has invested over 11 million dollars in rehabilitated single family homes and rentals. However, the neighborhoods still lack the public facilities needed to help stabilize the area. Placing the remaining funding (about 2.6 million) into the new "Eagle's Park" would not only provide much needed playing fields, a community center and place for family gatherings but would also help solve retention issues in this area that can create issues for homeowners.

Discussion

At the start of the program, the NSP 1 eligible activities were limited to residential related activities of home ownership and rental rehabilitation. Now that HUD is moving towards closing out the grant, they have expanded the eligible activities which can be undertaken. One of the new eligible activities is public facilities under the "Acquisition/Demolition/Reconstruction" eligible use. However, it must be a new public facility. Existing facilities cannot be improved. Other areas of expanded eligible activities were Economic Development and demolition of slum and blighted structures. However, these activities also required time to plan, administer, and take more time to meet the national objectives needed to close out the grant.

The 15 day public comment period for this amendment started on October 5, 2014 and was concluded on October 20, 2014. No comments were received. The Amendment will be filed with HUD following final approval of the resolution by City Council.

Alternatives

Staff has identified the following alternatives:

PROCESS THE PROPOSED SUBSTANTIAL AMENDMENT TO THE FY2008/2009 ANNUAL ACTION PLAN

Moving forward with the proposed substantial amendment would allow the City to continue efforts to stabilize the 85204 zip code area and maximize the investment placed into this area so far. It would also provide a means to move the NSP 1 to final close out and compliance with HUD regulations.

CHOOSE TO REJECT THE PROPOSED SUBSTANTIAL AMENDMENT TO THE FY2008/2009 ANNUAL ACTION PLAN

Rejecting the proposed amendment would prolong the City's ability to comply with the federal close out instruction for the NSP 1 grant. Without diversifying activities related to the grant, the original line of credit could not be spent down in a timely manner. In addition, without this funding the size of the "Eagle Park" public facility would be reduced thus, reducing the number of programs available to the neighborhoods in this area.

Fiscal Impact

There is no fiscal impact to the City since a match of grant funds is not required under the Neighborhood Stabilization Program.

Coordinated With

This recommendation has been coordinated with the City of Mesa Housing and Community Development, Engineering Department and the Parks and Recreation Departments.