

**Date:** January 22, 2015

**To:** Mesa City Council

**Through:** Michael Kennington, Chief Financial Officer

**From:** Tammy Albright, Housing and Community Development Director  
Ray Thimesch, Development Project Coordinator

**Subject:** Housing and Community Development Funding  
Recommendations for:  
HOME Investment Partnerships Program (HOME),  
FY 2015/16 Projects and Allocations  
Prior Year Funds and Allocations  
Methodology for Awards with Reduced Funding  
Council District: Citywide

### ***Purpose and Recommendation***

The purpose of this report is to present City Council with the Community and Cultural Development Committee's funding recommendations for the FY 2015/16 and prior year available funding for rental projects only using HOME Investment Partnerships (HOME) grants.

On January 8, 2015, the Community and Cultural Development Committee reviewed the five attached requests for HOME funding participation as part of their 2015/16 Low Income Housing Tax Credit projects. The committee supported the staff recommendations with a 2-1 vote (Councilmember Richins voting nay).

As part of the preparation process of the City's Annual Action Plan for FY 2015/16, staff is requesting that the Council review, modify and/or approve the attached recommendations so "pre-award" commitment letters can be prepared in time for the LIHTC application deadline. Final funding recommendations will be included in the draft FY 2015/16 Annual Action Plan for review by the public starting on March 16, 2015 and ending on April 16, 2015.

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**Office Hours: Monday-Thursday 7:00 a.m. – 6:00 p.m., closed Friday.**

## ***Background***

The City of Mesa has participated in the federal HOME Program for 23 years. Over the past few years, most of Mesa's HOME allocations have been awarded to Low Income Housing Tax Credit Projects that have benefitted many low- to moderate-income Mesa residents and significantly improved their quality of life. The HOME rental funding schedule has been separated from the other federal funding allocation process in an effort to meet the customers scheduling needs for Low Income Housing Tax Credits (LIHTC). The submittal cutoff for LIHTC is March 1, 2015.

On September 8, 2014, City Council provided direction for the use of current unallocated and proposed 2015/16 HOME funding. The following table outlines City Council direction for assignment of HOME funding and was based on the assumption of 2015/16 being level funding to the program year 2014/15:

Rental Projects	\$1,210,893
CHDO / Homeownership Projects	\$300,000
Homeownership Assistances	\$80,000

Requests for funding from the City's federal HOME programs were reviewed and rated by the Housing and Community Development Advisory Board (HCDAB) and staff. Staff conducted a technical assessment of the application utilizing a detailed 10-page rating tool. The total rating of each application consisted of an application review by staff (70 pts) and a presentation review by the respective Board (30 pts). Staff considered the total score when making its funding recommendations to the Committee; but, it was not the sole determining factor. For example Federal eligibility requirements and target clientele also played a role.

A copy of the rating sheets utilized by the Housing Advisory Board (HCDAB) and staff can be found as the following attachments to this report:

- Attachment A – Housing and Community Development Advisory Board (HCDAB) Rating Tool
- Attachment B – Staff Rating Tool

Mesa utilized an application process to solicit proposals for use of its annual allotment of HOME funds. The rental project proposals were reviewed by City staff for project eligibility and alignment with Council's Strategic Initiatives and forwarded to the Housing and Community Development Advisory Board (HCDAB) where they were reviewed and formally rated on December 4, 2014. Applicants were given an opportunity to make a five-minute presentation regarding the merits of their proposal and its applicability to the City's Consolidated Plan and Council's Strategic Initiatives.

A copy of the funding recommendations for the projects can be found in the following attachments to this report:

- Attachment C – Final scoring and recommendations. This spreadsheet also notes \$75,000 being set aside from the rental funding for Tenant Based Rental Assistance (TBRA). This program provides security and utility deposits needed for resident move-ins. This program is operated by City staff and the request will be heard by the Community & Cultural Development Committee on February 5, 2015.
- Staff recommends that approval of any funding be for FY2015/16 only and contingent upon a successful award of the Arizona Department of Housing FY2015/16 Low Income Housing Tax Credits.

### ***Alternatives***

Staff has identified three alternatives regarding the FY 2015/16 HOME rental projects and the use of prior year funding:

1. Accept the funding recommendations made by staff and the Housing and Community Development Advisory Board in Attachment C – Acceptance of the attached recommendations will provide additional low income housing that will help improve the quality of life for Mesa residents and within Mesa neighborhoods. These recommendations are also consistent with the City of Mesa's 5 year goals as outlined in the Mesa Consolidated Plan.
2. Revise the funding recommendations made by staff and the Housing and Community Development Advisory Board in Attachment C– The Council could choose to revise the funding recommendations as they see fit.
3. Reject the funding recommendations in Attachment C and reallocate funding to other activities per Council direction – Not allocating to LIHTC projects will result in fewer available housing primarily benefitting Mesa's low-moderate income residents.

### **Fiscal Impact**

The City is anticipating its FY2015/16 allocations by the Department of Housing and Urban Development for HOME funding may be reduced by 5 to 10%. Anticipated allocations from HUD are as follows:

<b>HUD Program</b>	<b>FY2015/16 Level Funding</b>	<b>FY2015/16 Allocation (5% reduction)</b>	<b>FY2015/16 Allocation (10% reduction)</b>	<b>FY2015/16 Rental Proposals Recd.</b>
<b>HOME</b>	\$990,000	\$940,500	\$891,000	
<b>HOME rental</b>	\$1,210,893	\$1,150,348	\$1,089,803	\$1,765,800

The attached funding recommendations outline options for both level funding and up to a 10% reduction. If Mesa receives a reduced awarded amount a methodology for dealing with reduced funding must be approved as part of our Annual Plan. Staff has outlined three options for the Committees review:

**Option 1 (Staff Recommendation)**

- Upon a 10% reduction, reduce two lowest rated commitments to 2% needed for City participation points.
- Any federal reduction should reduce the Rental Housing allocation and not CHDO homeowner funding
- Fully fund projects awarded 2015/16 LIHTC should only a few be approved

**Option 2**

- Upon a reduction eliminate the lowest rated commitments.

**Option 3**

- Reduce all commitments by an equal percentage.

**Coordinated With**

The proposed HOME rental project recommendations have been reviewed with applicants, citizens, the Housing and Community Development Advisory Board and the Community and Cultural Development Committee.

Final funding recommendations by Council will be included in the City's Annual Action Plan (AAP) that serves as its formal application to HUD for funding of the CDBG, HOME, and ESG programs. The Plan will be available for review on March 16<sup>th</sup> and the residents of Mesa are encouraged to provide feedback during the required 30-day comment period that ends on April 16, 2015. Residents can also provide feedback during Public Hearing #2 that will occur on April 2, 2015 at 6:00 p.m. Lower Level Council Chambers (57 E. 1<sup>st</sup> Street) at the regularly scheduled Housing and Community Development Advisory Board Meeting. On April 20, 2015 the final Plan will go before Council, and if approved, it will be submitted to HUD no later than May 15, 2015.

These meetings meet the Citizen Participation requirements set by HUD for participation in these federal programs.