

City Council Report

Date: April 20, 2015

To: City Council

Through: Michael Kennington, Chief Financial Officer

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

Subject: Transfer of the Property Located at 609 West 9th Street
(District 1)

Strategic Initiatives



Purpose and Recommendation

The purpose of this report is to request Council approve a resolution authorizing the transfer of the City property located at 609 West 9th Street, Mesa, Arizona 85201 ("Property") to The Crisis Nursery, Inc. with whom Child Crisis Center, Inc. recently merged; see **Attachment A** for site map of the Property.

Background

Child Crisis Center, Inc. ("CCC") is a non-profit organization providing an emergency shelter for children from ages 0-11 years who are displaced from their home by the Arizona Department of Child Safety or by families as a community placement. A child's stay can be from several days to many months depending upon their circumstances. CCC provides other services benefitting the community including, but not limited to, licensing and support for families looking to adopt or foster children, in-home support for parents of children age 0-5 years, and programs, classes and workshops for children and families. In April 2015, CCC merged with The Crisis Nursery, Inc., an entity providing the same type of

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services to the community as CCC. The merger will not affect the primary services offered by CCC and will allow for the expansion of services offered by The Crisis Nursery, Inc. As a part of the merger, the joint entity will be titled The Crisis Nursery, Inc. ("Crisis Nursery").

CCC currently occupies the Property under a lease agreement with a yearly renewal option. The Property is divided into two parcels.

1. Southern Parcel. The south parcel of the Property was acquired by the City via a Warranty Deed from Lutheran Hospitals and Homes Society of America, Inc. in March 1985. The Property was donated to the City for the purpose of being used by the CCC as a child care, education, administration, and related services facility for children. In 1985, the City used \$108,776.00 of CDBG funds to improve the Property. CCC has leased the south parcel from the City since 1986; the original lease demonstrates the purpose of the conveyance of the parcel was for the Property to be used by CCC.
2. Northern Parcel. The north parcel of the Property was acquired by the City via a Quit Claim Deed from CCC on March 30, 1994. Based on documentation in the Housing & Community Development file, the intent of the transfer was part of a qualification for \$577,397.00 of CDBG funding for the expansion of the building on this parcel. Since 1994, CCC has leased the parcel from the City.

Discussion

CCC made a request to have the Property transferred to CCC; as the transfer would occur after the merger of CCC and Crisis Nursery, the Property would be transferred to the Crisis Nursery. The Property will continue to operate as a shelter for children and provide family support services.

CCC is a community asset within the East Valley and provides much needed shelter and supportive services to the children of Mesa and the Phoenix metropolitan area.

Alternatives

Staff has identified the following alternatives:

1. Transfer ownership of the property at 609 West 9th Street. Transferring ownership to Crisis Nursery will allow Crisis Nursery to continue to use the Property as a shelter for children ages 0-11 years and provide family supportive services for fostering and adoption.

The U.S. Department of Housing and Urban Development CDBG regulations require a minimum five year continued use restriction be placed on the Property from time of ownership to transfer. City staff recommends the use restrictions be placed on the Property for the five year continued use period, Staff also recommends additional deed restrictions be placed on the Property restricting the use of the Property to

an emergency shelter for children until 2035 (20 years). These restrictions would ensure the Property is used for a public purpose for the benefit of the citizens of Mesa and the surrounding area following the transfer. The restrictions would serve as consideration for the City transferring the Property to Crisis Nursery and a failure to meet the requirements of the use restrictions could result in the Property reverting back to the City.

In 2011 the City Council approved modifications to the policy for transferring properties funded with CDBG dollars to non-profits; the transfer of the Property to Crisis Nursery would meet the current property transfer requirements. See **Attachment B** for Resolution No. 9800.

2. Continue to Lease the Property. The Council could choose to continue to lease the Property to CCC under the current lease agreement. The lessee rights and responsibilities under the lease agreement would need to be assigned and assumed by Crisis Nursery due to the merger of the two entities.

Fiscal Impact

The fiscal impact to the City will be \$1,450,000, based on the current appraised value of the Property. As long as the Property continues to be used in accordance with the use restrictions outlined above, the benefit the City receives would outweigh the fiscal impact. .

Coordinated With

This recommendation was coordinated with the City of Mesa Housing and Community Development and Real Estate Departments.