



City Council Report

Date: August 28, 2017
To: City Council
Through: Natalie Lewis, Deputy City Manager
From: Ruth Giese, Community Services Director
Elizabeth Morales, Housing and Community Development Director
Subject: Criteria for Disposition of City Property Encumbered by CDBG, HOME, and NSP Funding

Purpose and Recommendation

The purpose of this report is to approve the revisions to the City's policy for disposing of federally-funded Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), and Neighborhood Stabilization Program (NSP) properties to local non-profit agencies.

Background

The City continues to work closely with nonprofit agencies to support important programs to benefit low- to moderate-income households. Without the City's contribution of low-cost, leased properties, nonprofit agencies would be placed under significant financial stress to operate those programs. Some of these nonprofit agencies have come to the City to request a transfer of ownership from the City to the nonprofit agency for a variety of reasons. The City continually reviews these decisions on a case-by-case basis using a criteria-based policy in place to provide guidance. Most recently and based on confirmation of the proper interpretation of federal statutes, there is a need to update the existing criteria in the City's policy (Attached).

Discussion

Properties owned by the City of Mesa acquired, rehabilitated, improved, or constructed by the City or a subrecipient using federal CDBG, HOME, and NSP funds may be sold, transferred, or leased by the City to qualified nonprofit agencies that meets the criteria approved by City Council.

The key components of the policy are as follows:

- Nonprofit must have leased property for 10 years or any period of time City Council determines reasonable.
- Transfer of property must be reviewed and approved by Council to ensure the nonprofit has utilized the property in accordance of the lease and that the property has been maintained in decent, safe, and sanitary condition.
- Following transfer of a property, the site must be used in accordance with HUD regulations - continued use for CDBG or Period of Affordability for HOME and NSP.
- A waiver may be requested to reduce length of time required by HUD regulations which HUD would have to approve.

This Criteria does not apply to sales, transfers, or leases by the City of property encumbered with funds from the following HUD program: Emergency Solutions Grant (ESG). The sale, transfer or leasing of property encumbered by ESG funds will be made on a case-by-case basis, at the City's sole discretion, in accordance with applicable law and regulation. If a property is encumbered by a mix of HUD program funding sources that includes CDBG, HOME, or NSP funding, the Criteria will control the sale, transfer, or lease of the property.

Alternatives

1. Approve the Criteria and Resolutions to allow for disposition of City-owned property to local nonprofit agencies.
2. Revise the Criteria for Disposition of Property
3. Reject the Criteria and not allow for the disposition of City-owned property to local nonprofit agencies.

Fiscal Impact

Most of the properties affected by the Criteria were acquired with HUD funding or from another, non-general fund source, making the fiscal impact to the City's general fund minimal. In this instance and as long as the Property continues to be used in accordance with the use restrictions outlined, the benefit the City receives would outweigh the fiscal impact. However, when an affected property was acquired by the City using general funds, the City Council, will be able, as a part of the consideration for a transaction, to require a nonprofit agency to pay funds to help cover a loss.

Coordinated With

Housing and Community Development Department and City Attorney's Office have reviewed the proposal and support this revised policy.