



# City Council Report

**Date:** October 5, 2017

**To:** City Council

**Through:** Natalie Lewis, Deputy City Manager  
Ruth Giese, Community Service Director

**From:** Elizabeth Morales, Housing and Community Development Director

**Subject:** FY 2017/18 First Substantial Amendment to FY17/18 Annual Action Plan

Covering the Following Programs:

Community Development Block Grant (CDBG)  
HOME Investment Partnership Program (HOME)  
City Wide

## Purpose and Recommendation

The purpose of this report is to request direction from City Council on the staff recommendations for City of Mesa's First Substantial Amendment (Amendment) to the FY 2017/2018 Annual Action Plan (AAP) for submittal to the Department of Housing and Urban Development ("HUD"). Council direction is requested for the funding recommendations as we start the 30-day public comment period. Staff will return in November with a final recommendation, public comments, and resolutions for approval.

The City has unspent funds in total of \$625,000 in CDBG and \$1,254,802 in HOME funding from prior and current year, as well as program income funding that is being requested to be allocated to existing CDBG projects. City staff is proposing the following recommendations for the Amendment by allowing for reallocation of these CDBG and HOME funds for the following activities:

## Community Development Block Grant (CDBG)

Projects	Prior Funding	Additional Funding
Pepper Place Apartments Rehabilitation	\$250,000	\$250,000
Downtown Facade Improvements	\$322,500	\$125,000
Eagles Park Soccer Fields	\$400,000	\$150,000
Main Library Think Spot	\$100,000	\$100,000

## **HOME Investment Partnership Program (HOME)**

- Community Housing Development Organization (CHDO) Homeownership Activities: \$668,717
- Homeownership Activities \$586,085

## **Background**

The City's Annual Action Plan (AAP) for FY 2017/2018 contains the goals and strategies for the 2017/2018 Fiscal year, including specific activities to be funded by CDBG, HOME, and Emergency Solutions Grants (ESG) programs. These federal funds are allocated annually to the City from HUD. The AAP is a formal application to HUD made by the City which describes the specific projects and activities that will take place during the FY 17/18 program year. The funding of the specific projects and activities was approved by City Council on July 10, 2017.

In accordance with Title 24 Section 91.505 of the Code of Federal Regulations, the City of Mesa is submitting this Amendment to its FY 2017/18 AAP. This document describes program and funding amendments (changes) as proposed by the Housing and Community Development (H&CD) division of the Department of Community Services since the most recent approval by City Council.

The regulation requires that the City identify in its Citizen Participation Plan (CCP) the criteria used for determining what constitutes a Substantial Amendment. The City's CCP notes that a substantial amendment will be considered to exist when there is a proposed change in activity, scope or funding that deviates significantly from the overall intent of the most recent Consolidated Plan or AAP. The proposed changes submitted in this Council Report meet one of these criteria thus requires a substantial amendment.

The AAP is required to be consistent with City's Five-Year Consolidated Plan that incorporates objectives that foster the availability, accessibility, affordability, and sustainability of: 1) decent housing; 2) a suitable living environment; and 3) economic opportunity. The AAP attempts to achieve these objectives through targeted efforts to address priority affordable housing, homeless, special needs and community development (non-housing) issues. The Five-Year Consolidated Plan was approved by City Council on April 20th, 2015. The Amendment is consistent with the Five Year Consolidated Plan.

## **Discussion**

The Amendment is necessary because the City is proposing to utilize prior year and current year unallocated funds, and current year program income, not previously described in the Plan. These unspent funds must be allocated for the City of Mesa to meet federal expenditures requirements. Some examples of why

these funds were not spent include projects that did not materialize. City Council approved funding for two Community Housing Development Organizations (CHDO). The first agency could not meet the requirements to be certified as a CHDO and rescinded their application. The second CHDO was certified and completed one project but no further projects are projected. We also received program income from CDBG projects which can be utilized for new projects.

Staff recommends allocating unspent HOME funds for homeownership and CHDO activities. Staff would return to Council at a later date to present the process in which the HOME funds will be allocated.

This Amendment does not recommend any FY 17/18 funds for any rental development activities.

The projects recommended for CDBG funding are existing construction projects that are well underway and can spend these funds by April 30, 2018. Staff did explore currently funded CDBG projects by our non-profit agencies but none met the criteria of being underway or requiring additional funds.

Staff presented to the Housing & Community Development Advisory Board on September 7, 2017. Staff presented to the Board the funding recommendations and proposal to fund two homeownership activities. The Board approved the recommendations with a 6-0 vote and made a formal recommendation for the Amendment to be adopted by City Council as submitted.

A 30-day public comment period for the Substantial Amendment begins on October 5, 2017, and concludes on November 3, 2017. Public hearings for the Amendment will be held to provide the general public with an opportunity to comment in person on the Amendment:

- October 5, 2017 - Housing & Community Development Advisory Board meeting
- October 16, 2017 - Mesa City Plaza located at 20 E. Main St., Room 170W, Mesa AZ 85201 on

These Amendments and fund designations would improve the City's capacity to respond to the changing environment within Mesa and provide increased flexibility to address identified needs.

**Fiscal Impact**

CDBG funds are required by HUD to be used in timely manner. Only 1.5 times of the City's CDBG annual allocation can remain in the line of credit unspent. Failure to meet the expenditure may jeopardize future funding allocations. Without the Amendment, the City would leave \$625,000 in funding unallocated, which may impact the City by not meeting HUD's 1.5 expenditure ratio.

For HOME program funds, failure to commit these funds would affect the City's ability to comply with HUD requirements for the HOME program resulting in recapturing of \$1,254,802 HOME program funds.

**Coordinated With**

The proposed Amendment will be released to the public, applicants, other city departments and the Housing and Community Development Advisory Board for review and/or comment and meet the Citizen Participation 30-day comment period requirements set by HUD for participation in these federal programs.