

COUNCIL MINUTES

November 30, 2017

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on November 30, 2017 at 7:30 a.m.

COUNCIL PRESENT

John Giles
Mark Freeman
Francisco Heredia
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

David Luna
Christopher Glover

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

Mayor Giles excused Vice Mayor Luna and Councilmember Glover from the entire meeting.

1. Review items on the agenda for the December 4, 2017 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None.

Items removed from the consent agenda: None.

2-a. Hear a presentation and discuss an update of Housing Master Plan, Phase 1, focusing on the key conclusions from data collection.

Housing and Community Development Director Liz Morales introduced Dr. Sheila Harris, Consultant and Rick Merritt, President of Elliott D. Pollack & Company who displayed a PowerPoint presentation (**See Attachment 1**) related to an update on the Housing Master Plan, Phase 1, focusing on the key conclusions from the data collection.

Ms. Morales advised the last update of the City's Housing Master Plan was adopted by Council in July of 2004. She pointed out the project is broken into two phases with the first phase focusing on data gathering and analysis and the second phase focusing on policy guidelines around housing development.

Mr. Merritt presented the median incomes for the State, City, and County. He commented that although we currently track below the Arizona average, in the last year there was a 6.5% increase in the median income for the City and it is expected to increase. (See Page 6 of Attachment 1)

Mr. Merritt emphasized the importance of housing quality, affordability, and economic development in the City. He pointed out that the City has a lower level of bachelor and graduate degrees than surrounding cities and with employment there is a lower percentage of its workers in occupations in management, business, science and the arts. He advised Mesa has taken the right steps to improve the living situation of residents in the City by successfully attracting universities and companies such as Apple and Dexcom. (See Page 9 of Attachment 1)

Mr. Merritt provided the City's housing conditions and trends. He reported there will be a need for 27,000 new housing units over the next 10 years to accommodate the additional 72,000 individuals expected to reside in the City. He pointed out this will be a 13% increase in housing stock. (See Page 11 of Attachment 1)

Mr. Merritt stated that with the rising cost of housing, residents are more likely to stay in the City and renovate their home as opposed to moving.

Mr. Merritt provided the percentage of single family rental homes in the City. He commented that once investment groups see housing prices rise, they will eventually sell those properties. He pointed out that although this will take some time to happen, it is something to keep an eye on as this could cause instability in the market. (See Page 17 of Attachment 1)

Mr. Merritt presented the homeownership percentage in the City from 2000 to 2016. He commented that Arizona was hit harder than other states during the housing bust and as a result it will take longer for the City to return to the long-term average for homeownership. He clarified by stating that the hope is for the percentage to rise once individuals start to purchase single-family homes. (See Page 18 of Attachment 1)

Mr. Merritt supplied the average monthly rent for the City and County and pointed out in 2015, rent in the City increased by 6.6% and in 2016 by 8.5%. He continued by saying from 2010 to 2016 there was a 21% increase in rental costs. (See Page 19 of Attachment 1)

Mr. Merritt remarked the one reason why there has been an increase in rent is due to the low vacancy rates throughout the City. He clarified by stating the City has the lowest apartment vacancy rates of any major neighboring city and with that shortage brings increases in rent. (See Page 20 of Attachment 1)

Mr. Merritt commented that the City accounts for 21% of all mobile homes in the county. He added that two-thirds of the residents of mobile homes are older than 65.

Ms. Harris displayed a map showing the location of affordable housing complexes in the City. She pointed out the most recent activity for this type of housing development has been concentrated on the west side of the City. She continued by saying that this is a direct result of the tax credits given, which is a point based system, and developers will build where they can get the most points. She remarked that there will be less incentive for developers to locate along the light rail as the points have greatly diminished in that area. (See Page 26 of Attachment 1)

In response to questions posed by Councilmember Thompson, Ms. Morales advised that by allowing individuals to have the option of affordable housing they are less likely to be a cost burden and will have discretionary money to use on childcare, education, and will progress economically.

Ms. Harris clarified by stating that there is a significant low-income population in the City and by bringing additional affordable housing into the community allows those residents to move out of substandard housing.

In response to a question posed by Councilmember Thompson, Deputy City Manager Scott Butler advised the City has worked to educate legislators on rental tax which helps to offset additional costs to the community. He pointed out that the elimination of the rental tax would mean a loss to the City of approximately 8 to 10 million dollars.

Discussion ensued related to the auditing and enforcement of rental tax.

In response to a question posed by Councilmember Whittaker, Mr. Merritt advised the City had more foreclosures and short sales than the national average which resulted in the City having lower homeownership rates. He stated some of the focus in the next study will be how to address the homeownership issue as it is important for neighborhood stability.

City Manager Christopher Brady commented that currently the City is leading the state in single-family home permits which is creating an environment for new homeowners. He added that in the future it would be better to focus on the transition from existing inventory to homeownership.

Mr. Merritt suggested the City consider condominium and townhome developments as the cost of single-family housing is more expensive. He pointed out a move in this direction could revitalize the downtown and Fiesta Mall areas.

In response to a question posed by Councilmember Thompson, Ms. Morales advised the City has committed a significant amount of funding to first-time homeowners with down payment assistance and the purchase and renovating of homes.

In response to a question posed by Mayor Giles, Ms. Morales advised the next phase of the report is recommendations on how to increase homeownership and educating residents on the programs available.

Mayor Giles stated the opinion that the City would be negligent if the issue of deteriorating mobile homes is not addressed and encouraged staff to look into the issue and develop a strategy.

Councilmember Heredia suggested being proactive and mapping problem areas throughout the City and consider what other cities have done to address the issue.

In response to a question posed by Councilmember Heredia, Ms. Morales advised a statewide organization held meetings regarding manufactured housing and recommendations were provided that the City plans on utilizing. She explained that phase two will include gathering data from other City departments and use that to strengthen the efforts to improve housing development.

Mayor Giles commented on the need to have a plan regarding the lifespan of mobile home parks and how properties will be redeveloped. He pointed out that the City is trending in a good direction in terms of homeownership, education levels, and prosperity of the community.

Ms. Morales concluded her presentation by noting that the next step is to have discussions with stakeholders to gather input on housing development. She added that the data and policy recommendations will be presented to Council by Fall of 2018.

Mayor Giles thanked staff for the presentation.

3. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council.)

4. Acknowledge receipt of minutes of various boards and committees.

4-a. Transportation Advisory Board Meeting held on September 19, 2017.

4-b. Sustainability and Transportation Committee Meeting held on November 2, 2017.

It was moved by Councilmember Thompson, seconded by Councilmember Heredia, that receipt of the above-listed minutes be acknowledged.

Mayor Giles declared the motion carried unanimously by those present.

5. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

6. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, November 30, 2017, 10:00 a.m. – Household Hazardous Waste Facility Groundbreaking

Saturday, December 2, 2017, 8:00 a.m. – Pancake Breakfast and Toy Drive at Fire Station 210

Monday, December 4, 2017, 5:15 p.m. – Study Session

Monday, December 4, 2017, 5:45 p.m. – Regular Council Meeting

7. Adjournment.

Without objection, the Study Session adjourned at 8:42 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 30th day of November, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

mh
(Attachments – 1)



Mesa Housing Master Plan Update

Phase I - Executive Summary

Presenters: Liz Morales

Rick Merritt

Sheila Harris

November 30, 2017



Elliott D. Pollack & Company

&

*Sheila D Harris Consulting
Services, LLC*



Purpose

A 10-year guide for City planning decisions, prioritizing and balancing demands for all levels of housing demand, identifying the needs of low and moderate income households, and providing a framework for evaluating future projects.

Phase I

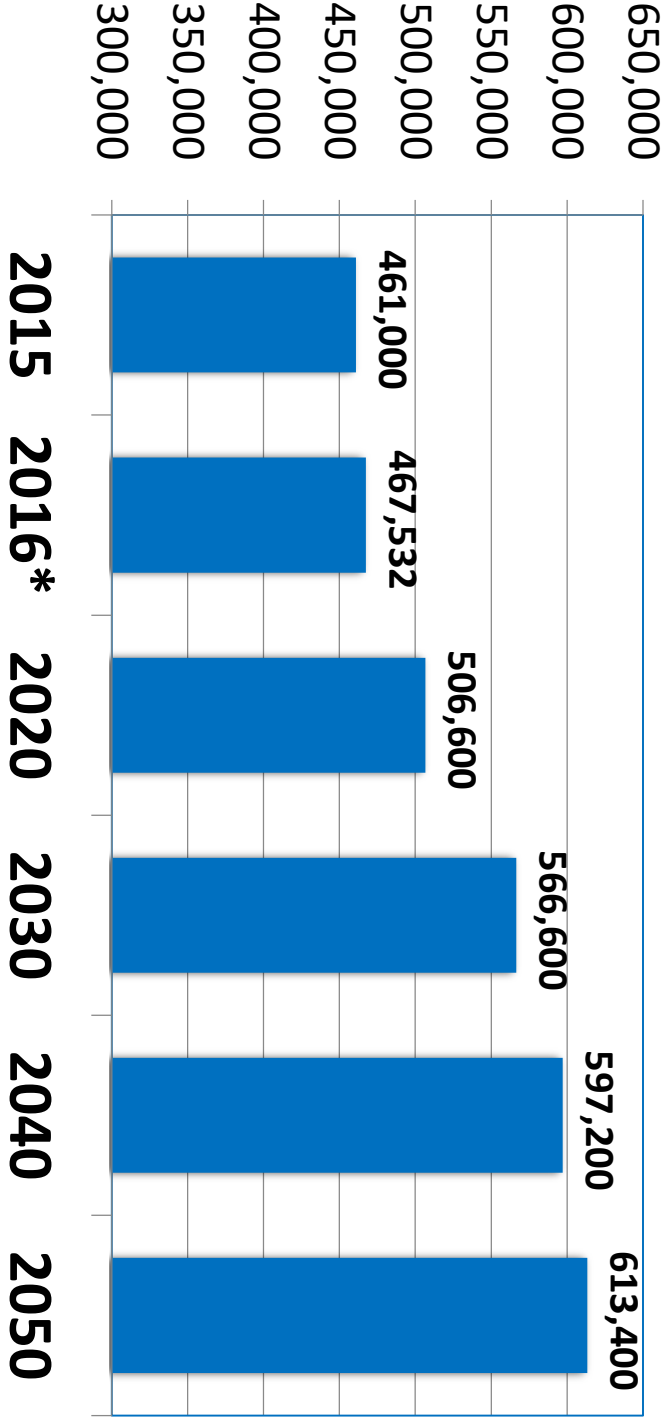
**Data Gathering to provide
framework for Phase II.**

**Primary Data Sources:
U.S. Census, Maricopa Assoc. of
Governments, HUD, City of Mesa
Housing Department**

Demographic Trends

City of Mesa Population Forecast

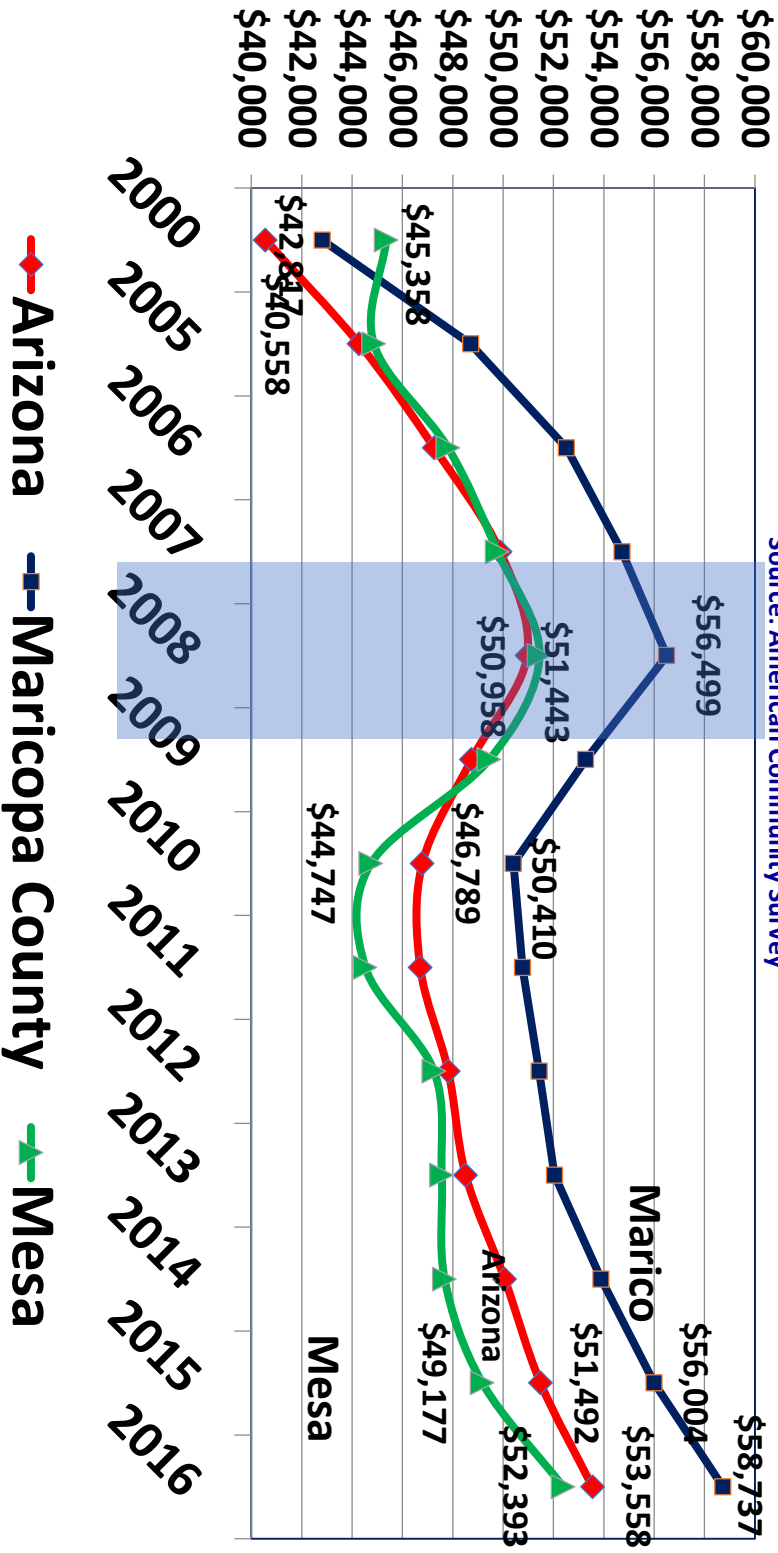
Source: Arizona Office of Economic Opportunity



Median Income

Source: American Community Survey

Recession



Poverty 2015

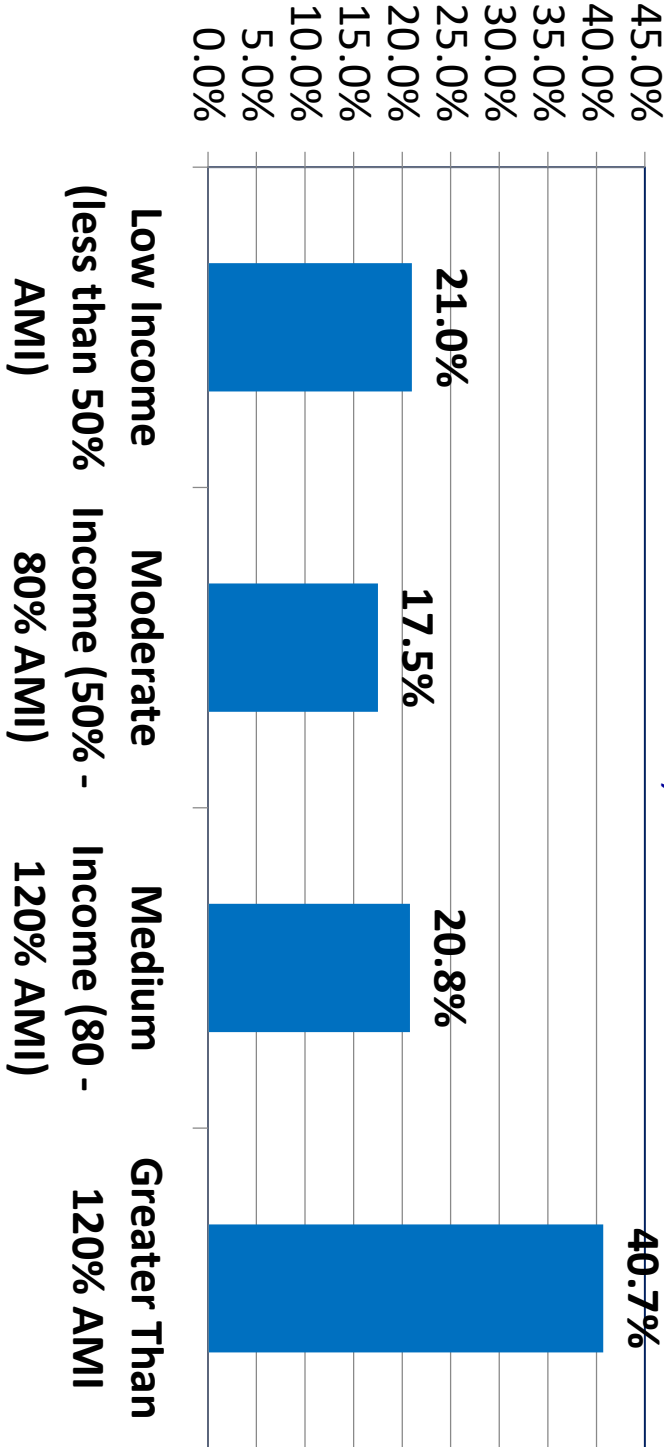
Source: 2015 American Community Survey

	Mesa	Maricopa County
Total Population	471,833	3,965,553
% Below Poverty Level	17.2%	17.0%
Person Below Poverty Level	81,155	673,527
Total Families	110,148	945,115
% Below Poverty Level	12.7%	12.6%
Families Below Poverty Level	13,989	119,084

Percent Low & Moderate Income Persons

City of Mesa

Sources: HUD, U.S. Census



Housing & Economic Development

Education



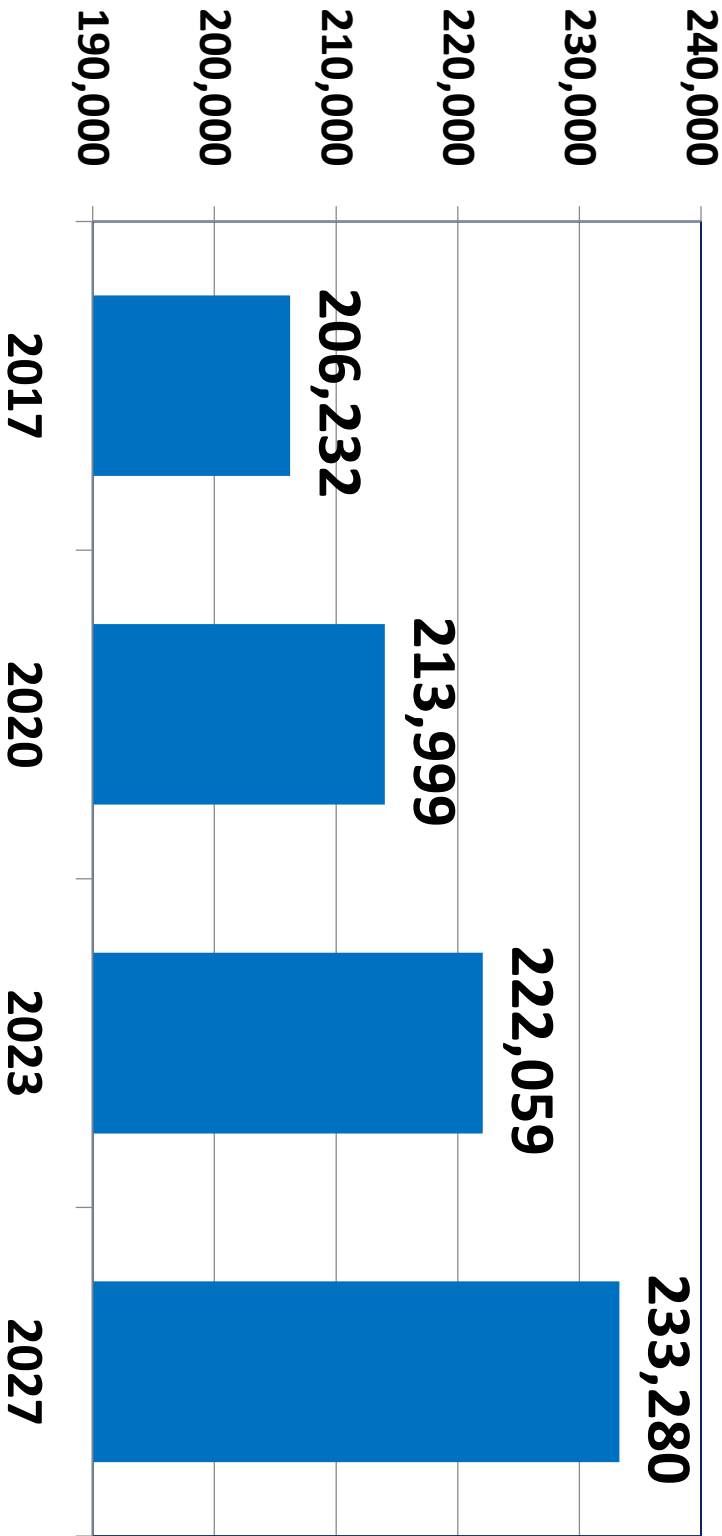
Employment



Housing Conditions and Trends

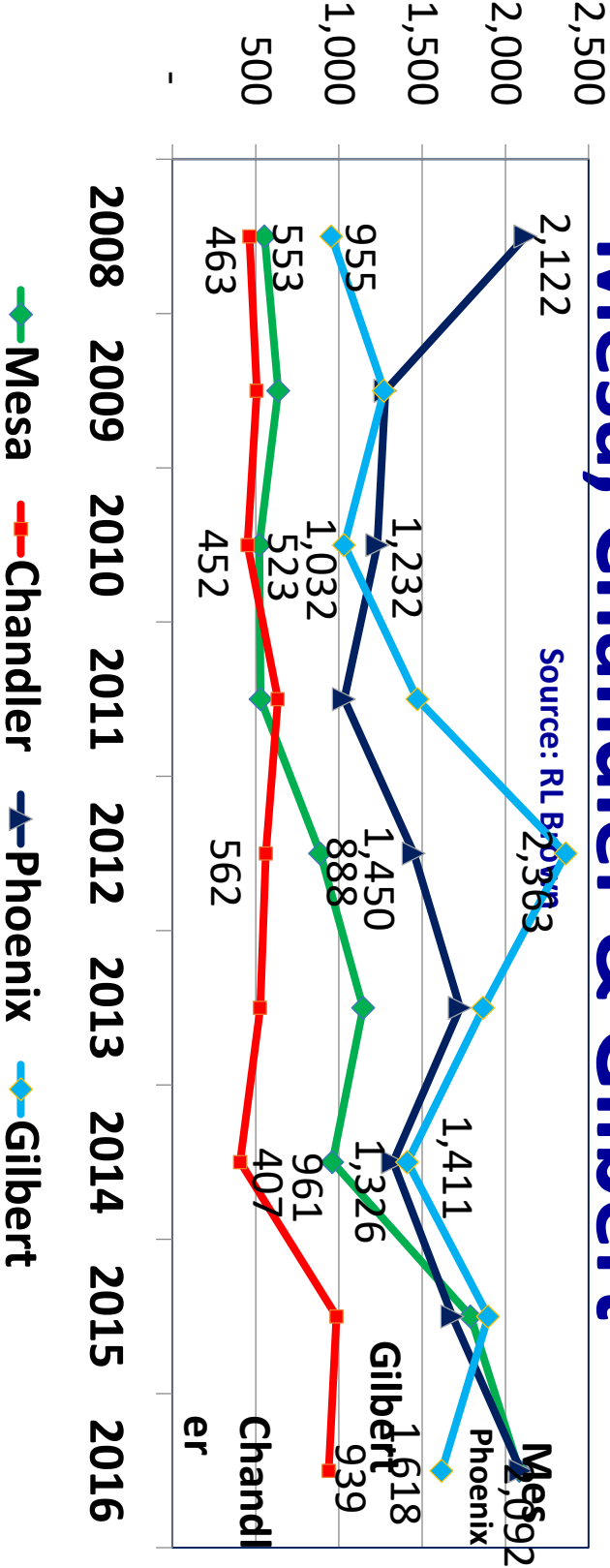
Forecasted Mesa Housing Inventory

Sources: AZ Office of Economic Opportunity, U.S. Census, Elliott D. Pollack & Co.



Comparative Ownership Housing Permit Activity

Mesa, Chandler & Gilbert



Housing Conditions & Trends

- **The average price of new and resale single family homes in Mesa is still relatively affordable and less expensive than in Chandler and Gilbert.**
- **The median price of a newly-built single family home in Mesa is more than \$100,000 higher than the typical resale home (\$229,000). Phoenix resale homes average \$230,000.**
- **Mesa has lowest percentage of homeowners (61%) with a mortgage among Southeast Valley cities. 72% of Phoenix homeowners have a mortgage.**

Housing Conditions & Trends

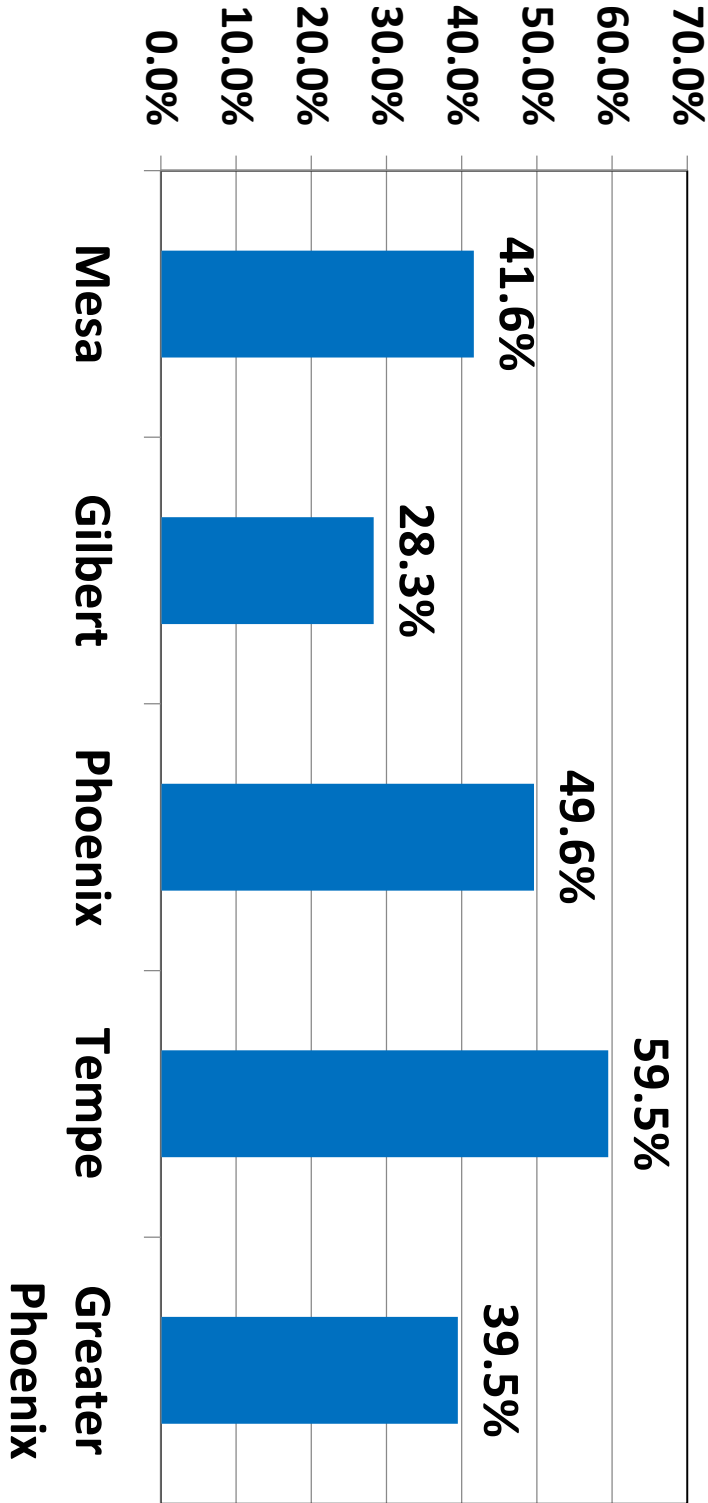
- **The City's housing market is affordable to middle-income households that include essential personnel such as teachers, policemen, firemen and nurses.**
- **The new home market at a median price of \$336,000 is attractive to executives and professionals.**

Housing Conditions & Trends

- **Mesa's multi-family housing inventory stands at 49,355 units or 41.6% of all occupied units.**
- **Mesa's renter-occupied housing inventory is higher than some neighboring cities.**

Percent of Renter-Occupied Units

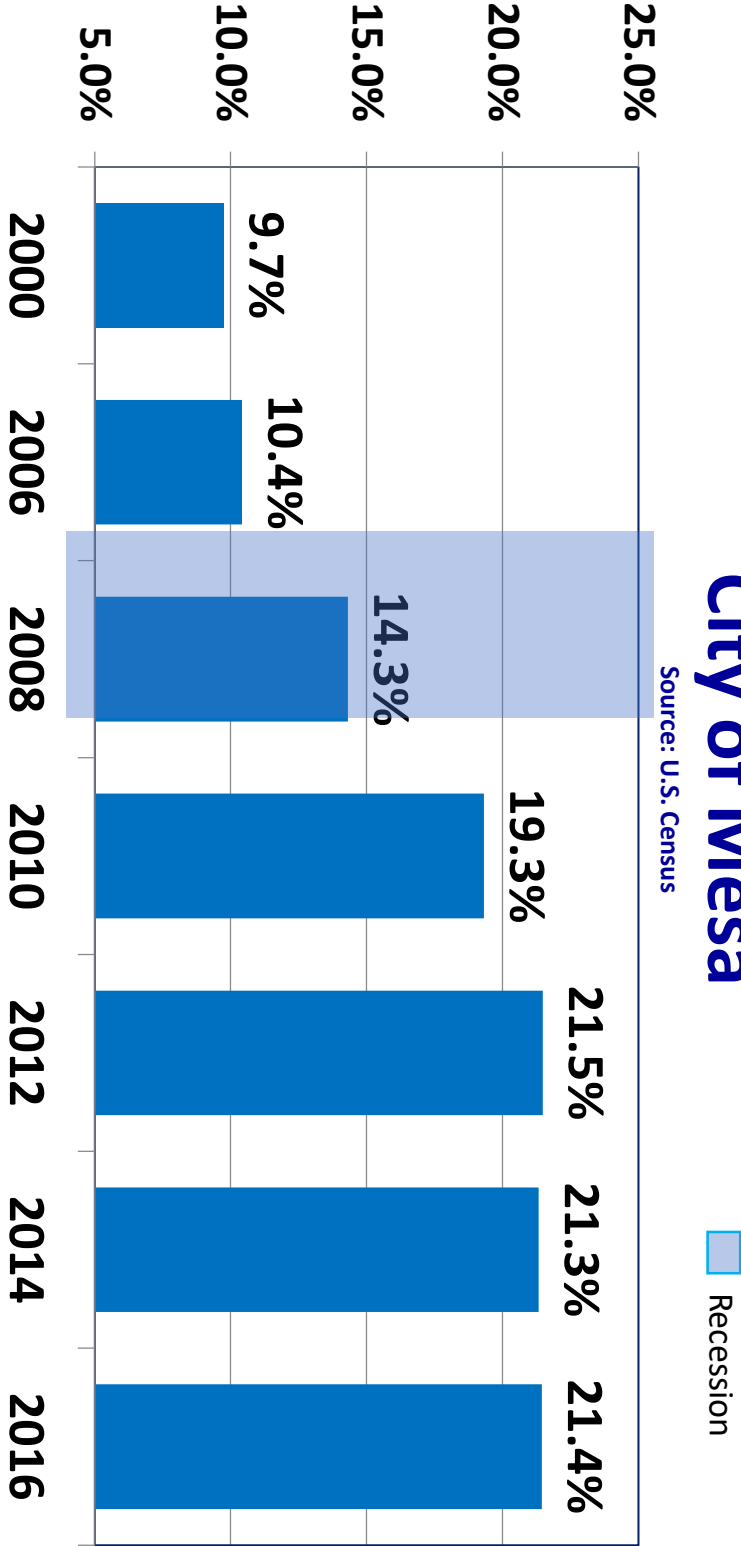
Source: U.S. Census



Percent of Single Family Homes Rented

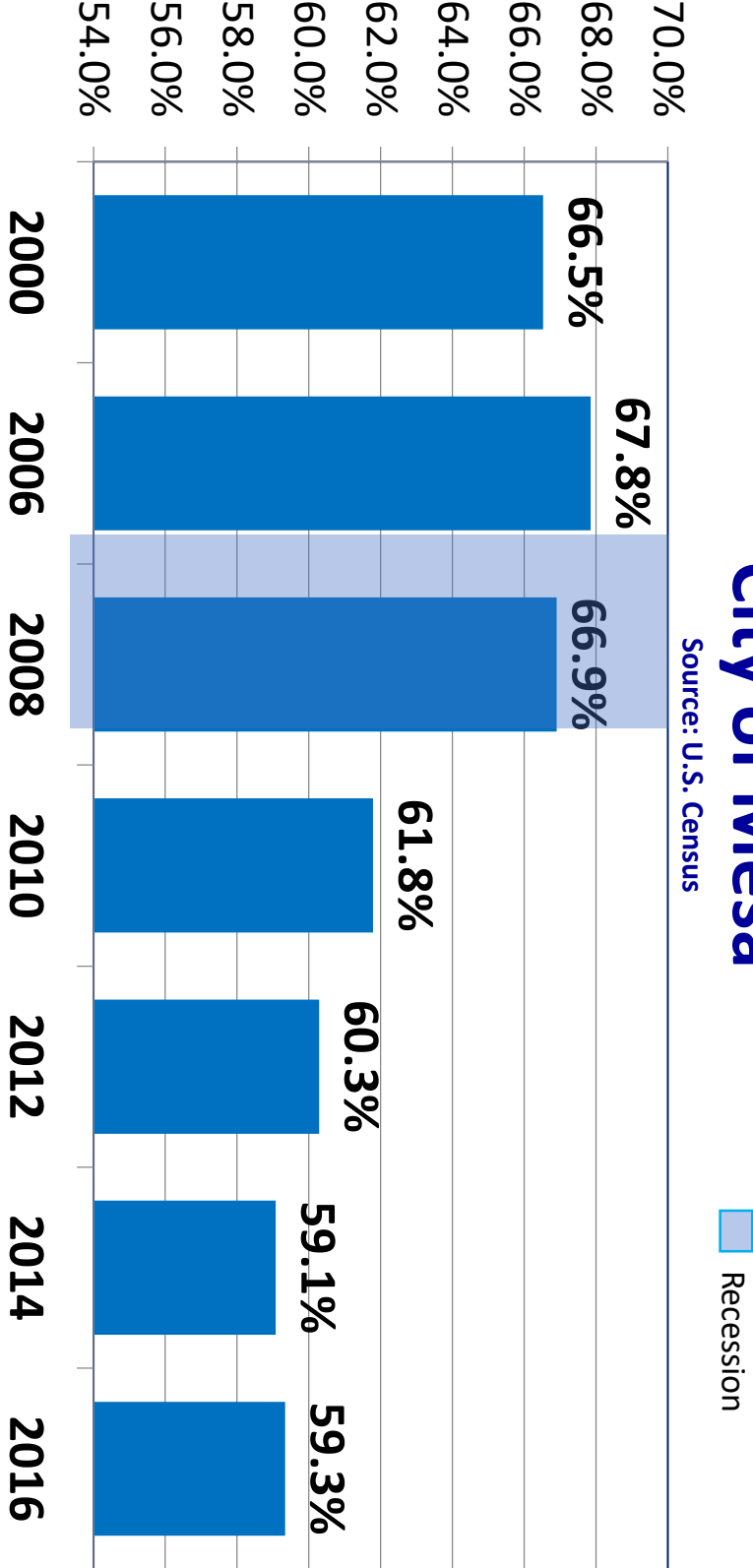
City of Mesa

Source: U.S. Census



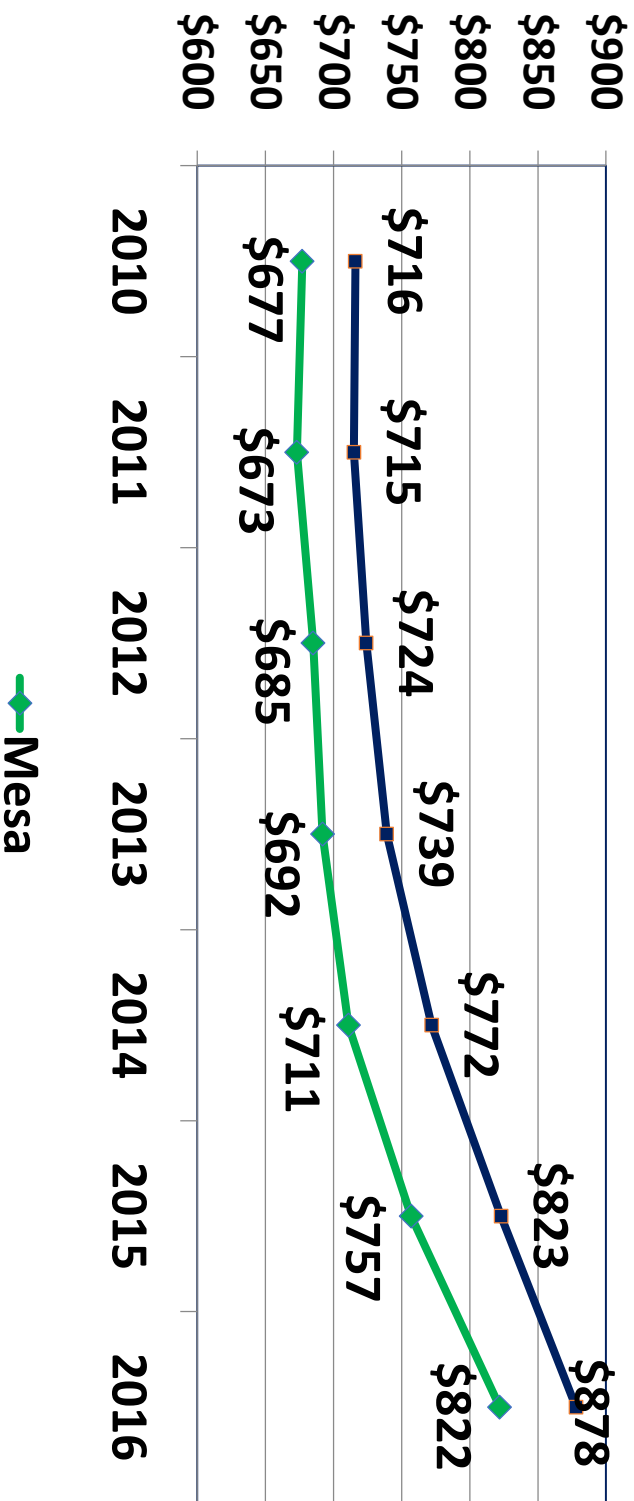
Homeownership Percentage City of Mesa

Source: U.S. Census



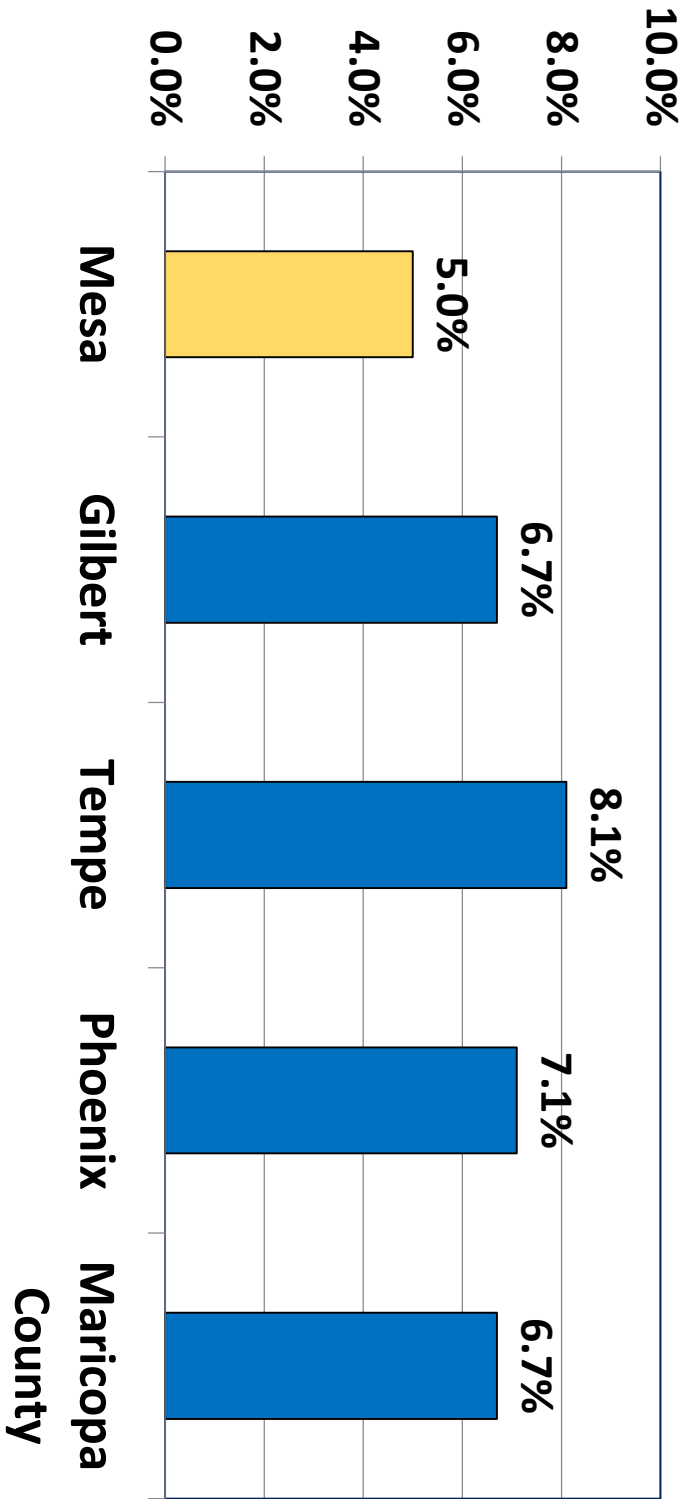
Average Monthly Rent Mesa & Maricopa County

Source: RealData



Apartment Vacancy Rates

Source: RealData



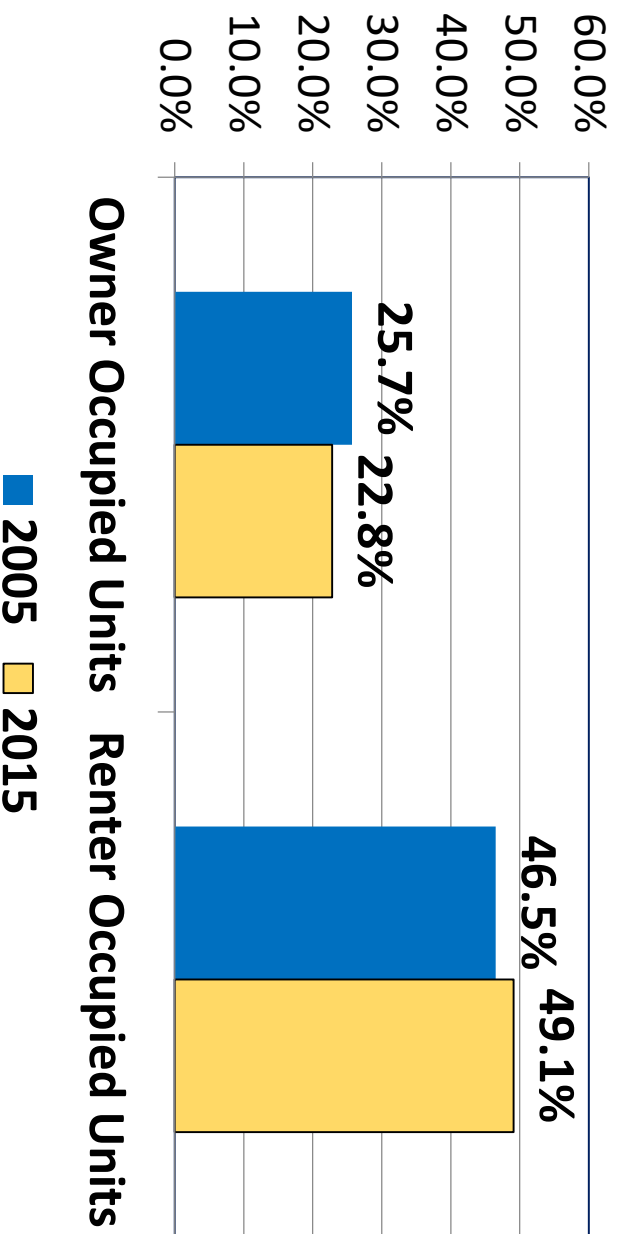
Mobile Homes

- **Mesa has a large inventory of mobile homes, accounting for 10% of its housing stock.**
- **35% of all mobile homes in the City are more than 38 years old.**

Mesa Housing Cost Burden

Households Paying More Than 30% of Income on Housing

Source: U.S. Census



Phase 1 Considerations - Housing Conditions & Trends

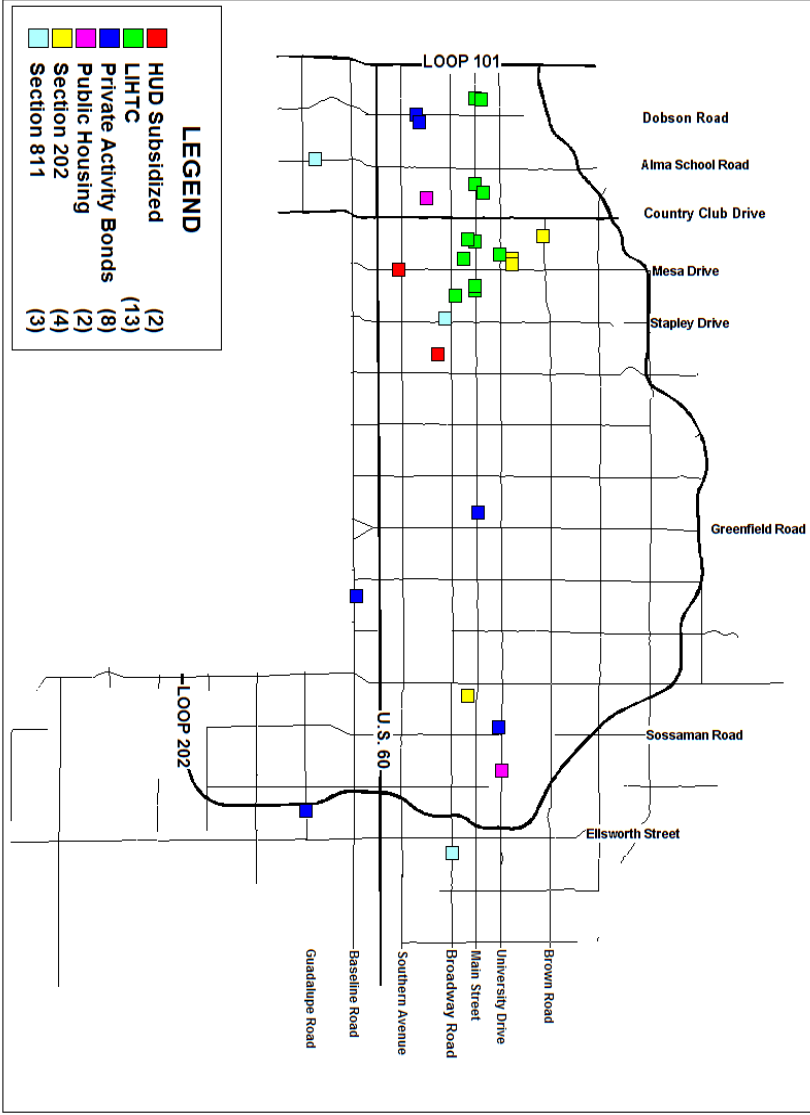
- The City should continue to promote a mix of housing for all income levels and housing desires including:
 - ✓ Townhomes and condominiums (which will allow first-time buyers to enter the market),
 - ✓ Affordable units for low and moderate income persons (which is where the greatest demand lies),
 - ✓ Market-rate apartments (for those planning for a future home purchase), and
 - ✓ Executive housing for professionals and upwardly mobile households.

Phase 1 Considerations - Housing Conditions & Trends

- In order to better understand quality, conditions, and inventory types of mobile home parks in Mesa, consider conducting an additional survey to provide more comprehensive data and insights that would be helpful in future decision-making.

Affordable Housing Activities & Production

Affordable Housing Complexes in Mesa



Affordable Housing Activities & Production

- **Neighborhood Stabilization Program (NSP) - \$20.1 million: 62 single-family homes and 37 units of rental housing.**
- **HOME Program – Gap financing for 7 LIHTC projects; also assisted 789 families with Tenant-Based Rental Assistance.**

Affordable Housing Activities & Production

- **Community Development Block Grant (CDBG) - \$12.6 million spent since 2006 for repairing owner-occupied homes and accessibility of homes owned by persons with disabilities.**
- **Housing Choice Voucher Program (HCV/Section8) - Serves 1,700 individuals and families, \$10 million per year in rents to private landlords.**

Phase 1 Considerations – Housing Activities & Production

- **A balanced mix of housing products is needed for all income levels from affordable to executive.**
- **Current investments and funding for housing are falling short. Increased resources are needed to address shortage of affordable units.**

Phase 1 Considerations – Housing Activities & Production

- Rents are rising faster than incomes, compounding the affordability issue.
- Homeownership rates have fallen. Efforts needed to promote homeownership.
- Monitor single family rental market for signs of improvement in reduction of rentals.
- 35% of Mesa's mobile homes are more than 38 years old. Need more data and strategies for rehab or replacement of mobile home stock.

Phase 1 Considerations – Housing Activities & Production

- **Mesa should continue to provide input to Arizona Department of Housing on its annual Qualified Allocation Plan as a way to promote affordable housing inventory throughout Mesa.**

Next Steps: Phase II

- Seek public input through a variety of opportunities including survey, interviewing stakeholders, and using technology.
- ✓ Neighborhood Leaders from all Mesa Council Districts
- ✓ Business Leaders
- ✓ Industry Experts (i.e. Multi-housing, Real Estate Professionals, Manufactured Housing)
- ✓ Housing and Community Development Advisory Board
- ✓ City Departments (i.e. TriStar Program (Police), Economic Development, Planning)

Next Steps: Phase II

- Staff will lead Phase II and report back to City Council with report no later than Fall 2018.

Questions?