



## Community and Cultural Development Committee Report

**Date:** March 19, 2020  
**To:** Community and Cultural Development Committee  
**From:** Michelle Albanese, Housing & Community Development Director  
**Subject:** Transfer of CDBG Funded properties to A New Leaf, Inc.

### Purpose and Recommendation

The purpose of this report is to discuss and seek the Community and Cultural Development's recommendation for the possible transfer of two City-owned properties encumbered by federal funding to A New Leaf, Inc. Approved by resolution, the transfer of the properties to non-profit agencies is permitted for those properties meeting the Property Transfer Criteria policy.

### Background

On January 27, 2020, Council approved, by Resolution #11450 (Exhibit A), the transfer of the Hobson property and requested further discussion and analysis be done on the other two properties, the Main property and the University property, in order to explore other options for the properties and A New Leaf's operations. Specifically, the City Council requested staff 1. identify the current value of each of the properties; 2. research other city-owned properties to serve New Leaf's purposes of operation of their programs; 3. identify available funding to acquire and rehabilitate property for New Leaf to continue providing services and programs.

Historically, City Council has approved the transfer of ownership of many of the HUD funded properties to the nonprofits who lease them when the nonprofits meet certain criteria and agree to continue to provide services benefitting the community for a specified length of time. On August 28, 2017, City Council approved Resolution No. 11018 amending the City's property transfer, sale and lease policy for HUD funded properties: "Criteria for the Disposition of City Property Encumbered by CDBG, HOME, or NSP Funding to Nonprofit Agencies" (the "Policy"). The Policy outlines procedures and criteria for the City to utilize when a nonprofit agency, who is currently leasing HUD funding encumbered property from the City, requests the property ownership be sold or transferred to the nonprofit. A copy of the Resolution and Policy (*Resolution #11018*) is included with this Report as *Exhibit B*.

## Discussion

The two properties the City Council requested additional information and discussion on regarding the potential transfer or disposition of the properties are:

A. Main Property. Closest major cross streets are Mesa Drive and Main Street.

1. The property is utilized by A New Leaf as transitional housing for single women who are overcoming homelessness, domestic violence and/or learning to live independently.
2. September 2017 appraisal valued the property at \$166,000. The current area comps provided from the City's Real Estate division indicate an estimated value of the property at \$300,000 to \$325,000. This is an approximate increase in value of \$134,000 - \$159,000.

B. University Property (217 W. University). Closest major cross streets are E. University Drive and Country Club.

1. The property is utilized by A New Leaf as an information technology center for their agency's programs.
2. September 2017 appraisal valued the property at \$350,000. The current area comps provided from the City's Real Estate division indicate an estimated value of the property at \$500,000 to \$560,000. This is an approximate increase in value of \$150,000 - \$210,000.

At the request of City Council, staff worked with the City's Real Estate division and determine there are no city-owned properties that are vacant and available for use by A New Leaf.

A New Leaf could submit a funding proposal request for CDBG funds during the open funding process for FY 2021/2022 for the purposes of acquisition and rehabilitation of an alternate location.

## Options for Consideration

Possible options for consideration for the Main Property & University Property are:

1. Sell the Main Property & University Property for current fair market value to someone other than A New Leaf. The sale proceeds would go back to the CDBG program and be reallocated to other eligible CDBG activities. No funds would be credited back to the City's General Fund as part of the sale. The sale would most likely trigger relocation requirements, adding additional costs to the City and/or A New Leaf.
2. Sell the Main Property & University Property to A New Leaf for the current fair market value and reimburse the CDBG grant per HUD regulations.

3. Transfer the property to A New Leaf, providing additional consideration for the transfer of the Main Property & University Property, such as increasing the continued use period, beyond HUD's required continued use period of ten years for each property.
4. Continue to lease the Main Property & University Property to A New Leaf.

### **Fiscal Impact**

The Main Property & University Property were purchased and improved with CDBG funds, making the fiscal impact to the City minimal. However, if the Main Property & University Property are not used or disposed of in accordance with CDBG program use requirements, this can result in a repayment by the City to the U.S. Treasury of the then current fair market value of the property(-ies) from the City's general funds, representing the amount of the CDBG funds invested in the properties.