



# City Council Report

**Date:** December 11, 2023  
**To:** City Council  
**Through:** Candace Cannistraro, Deputy City Manager  
**From:** Ruth Giese, Community Services Director  
Michelle Albanese, Housing and Community Development Director  
**Subject:** Lease with Mesa United Way for use of City-owned residential units improved with CDBG funds  
Council District #4

## Purpose and Recommendation

The purpose of this report is to consider staff's recommendation to enter into a lease agreement with Mesa United Way for the use of City-owned residential units purchased and improved with federal funds, located at 432 W. Pepper Place, Mesa, Arizona 85201, to provide affordable housing and services through the Foster 360 Program.

## Background

The City owns residential properties located at 432 and 424 W. Pepper Place, which consist of seven total units. The properties were originally acquired by Community Services of Arizona (CSA), a non-profit organization, with City-awarded federal HOME Investment Partnership (HOME) Program funds to provide affordable housing to low and moderate-income Mesa residents. CSA dissolved the business, resulting in the properties being deeded to the City on September 9, 2014. The City has continued to preserve affordability and ensure compliance with federal requirements.

The properties contain one single-family home and six two-bedroom apartments. The single-family home and two apartments are located at 432 W. Pepper Place (parcel 135-60-061C) and the remaining four are located at 424 W. Pepper Place (parcel 135-60-061B.)

The units at 424 W. Pepper Place were rehabilitated with federal CDBG funds in 2015 and are currently leased and occupied by income-eligible tenants. 432 W. Pepper Place was rehabilitated with CDBG funds in 2022.

Since the properties were assisted with CDBG funds, the use must meet a CDBG-eligible activity and national objective. Providing affordable housing to low and moderate-income Mesa residents meets an eligible activity and national objective, benefit to low and moderate-income persons.

Mesa United Way (MUW) is a Mesa-based non-profit organization. MUW's mission is to increase the ability of the people of Mesa to care for one another and to ensure that core services for children, the disabled, the elderly, and those most in need are available in Mesa.

MUW's Foster 360 Program (Program) breaks the cycle of homelessness and adversity for youth ages 18-24 aging out of foster care. The Program provides these youth safe housing in a trauma-informed, community-centric, and compassionate environment. MUW will provide comprehensive programs, social services, and holistic wraparound services to program participants, empowering them with the necessary tools and education to succeed.

The services and programming provided are a public benefit as they allow residents of Mesa access to safe and affordable housing and social services that improve the participants' quality of life.

## **Discussion**

MUW wishes to lease the single-family home and two two-bedroom apartments located at 432 W. Pepper Place, as well as the shared driveway between the two properties and desires to enter into a five-year lease agreement with the City, with an optional five-year renewal. The lease would begin on January 1, 2024, and terminate on December 31, 2029, or December 31, 2034, if the renewal is allowed under the terms of the lease

## **Alternatives**

The City Council could choose not to enter into a lease agreement with Mesa United Way. Choosing this alternative would result in the loss of expanded programs and services in Mesa for youth exiting the foster care system.

## **Fiscal Impact**

The City will receive a nominal amount of lease revenue in the amount of \$5.00 per year, from the lease. This lease rate is consistent with leases the City has with other non-profit agencies that provide a public benefit to the Mesa community through the services and programming they offer at the leased location. Under the lease, MUW will be responsible for all utilities and cleaning at the premises.

## **Coordinated With**

This lease has been coordinated with the City Attorney's Office, Community Services Department, and City Manager's Office.