

COMMUNITY & CULTURAL DEVELOPMENT COMMITTEE

May 5, 2022

The Community and Cultural Development Committee of the City of Mesa met in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on May 5, 2022, at 9:21 a.m.

COMMITTEE PRESENT

Francisco Heredia, Chairman
Jennifer Duff

COMMITTEE ABSENT

David Luna

STAFF PRESENT

Natalie Lewis
Holly Moseley
Margaret Robertson

Chairman Heredia conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation on the transfer of City-owned properties purchased with Community Development Block Grant funds to Mesa-based non-profits, and discuss and provide a recommendation related to A New Leaf's request to transfer the ownership of two residential properties, one located near Main Street and Mesa Drive and the other located at 217 West University Drive.

Housing and Community Development Director Michelle Albanese displayed a PowerPoint presentation on the request to transfer two City-owned properties originally purchased with federal Community Development Block Grant (CDBG) funds. **(See Attachment 1)**

Ms. Albanese explained that the City generally transferred properties according to Housing and Urban Development (HUD) use and timeline regulations for the CDBG program. She recalled in the Spring of 2016, A New Leaf requested the transfer of specific City-owned properties purchased via CDBG funds. She added staff then formalized the practice of transferring properties to non-profit agencies by developing a policy following CDBG and City requirements. (See Page 2 of Attachment 1)

Ms. Albanese stated staff previously sought direction on A New Leaf's request to transfer three leased properties in 2019, including Hobson, Main, and University. She noted Council approved the transfer of Hobson but requested further information on the Main and University properties. (See Page 3 of Attachment 1)

Ms. Albanese identified original appraised value, current area comps, and increase in value of the Main and University properties. (See Pages 4 and 5 of Attachment 1)

Ms. Albanese reviewed several options for consideration, including selling the Main and University properties at fair market value. She pointed out this option could trigger displacement and potential costs to the City and A New Leaf, requiring the City to return funds to the CDBG line of credit. She stated the second option would be to transfer both properties to A New Leaf with a continued use period of 10 years. The third option is to continue leasing the properties, with A New Leaf maintaining the properties in compliance with CDBG regulations. (See Pages 6 through 8 of Attachment 1)

Ms. Albanese stated staff is seeking recommendation to sell, lease or transfer the properties. (See Page 9 of Attachment 1)

Deputy City Attorney Kelly Whittemore noted a clarification to Slide 7, stating that if the City were to move forward with Option Number 2 and transfer the Main and University properties, the City would no longer own the properties.

In response to a question posed by Committeemember Duff regarding A New Leaf's use obligations for the property after 10 years, Ms. Albanese responded the CDBG regulations would consider the use period met, and the property would not have any restrictions.

Responding to several questions from Committeemember Duff, Mike Hughes, Executive Director at A New Leaf, explained one site hosts the Domestic Violence Overflow Program and Rapid Rehousing Program, and the other site hosts a Crisis Counseling Center. He stated the University location is currently occupied and open to the public but is mainly used for staff housing. He emphasized the importance of these locations for providing services to transportation, police, and other programs. He summarized A New Leaf's commitment to supporting citizens in need, adding there is no intent to change the way the properties are used after the 10-year period.

In response to an inquiry from Chairman Heredia regarding CDBG funds, Ms. Albanese explained the HUD spending ratio, noting the City is required to spend dollars down at a consistent rate. She stated if the properties are sold, the money is returned to the CDBG line of credit, so timing is critical. She pointed out the current focus is for agencies to spend COVID dollars, and spending returned CDBG funds down quickly could be an issue.

Deputy City Manager Natalie Lewis continued by saying the properties were purchased to provide Human Services and Social Services to the community, adding A New leaf has provided those beneficial and valuable services.

It was moved by Committeemember Duff, seconded by Chairman Heredia, that the transfer of two City-owned properties purchased with Community Development Block Grant funds be forwarded to full Council.

(Approval by the Committee will forward the item to full City Council.)

Upon tabulation of votes, it showed:

AYES – Heredia-Duff
NAYS – None
ABSENT – Luna

Chairman Heredia declared the motion carried unanimously by those present.

2-b. Hear a presentation, discuss, and provide direction regarding ways to incentivize the building of affordable housing in Mesa, including the use of overlay zones and the Government Property Lease Excise Tax (GPLET).

Director of Development Services Nana Appiah introduced Senior Planner Kellie Rorex and Downtown Transformation Manager Jeff McVay and displayed a PowerPoint Presentation on Strategies for Affordable Housing. **(See Attachment 2)**

Ms. Rorex defined HUD affordable housing as housing for which the occupants pay no more than 30% of their income for housing costs, including utilities. She reported that the area median income for a family of four is \$88,800 per year. (See Page 2 of Attachment 2)

Ms. Rorex reported staff used the American Community Survey (ACS) Census Data to develop specific numbers for Mesa, adding the median household income in 2020 was \$61,640. She outlined median rent payments and mortgage amounts for Mesa residents. (See Page 3 of Attachment 2)

Ms. Rorex identified additional research strategies used, including Government Property Lease Excise Tax (GPLET). She defined GPLET as a temporary tax that replaces the property tax on City-owned property leased to a private entity and is typically used to incentivize redevelopment in an area. She reported other agencies use GPLET in their communities to support job creation and retention, subsidized transit, and housing fund supplements. She noted no specific city is currently using GPLET for affordable housing. (See Page 4 of Attachment 2)

Mr. Appiah informed Committee members of a recent lawsuit filed by the Gold Water Institute against the City of Phoenix regarding using GPLET to provide affordable housing. He noted staff will continue to be cognizant during research to make future recommendations.

Mr. McVay stated Mesa will use the nationally recognized HUD-defined affordable housing regulations as it relates to GPLET.

City Attorney Jim Smith clarified the City of Tempe had used GPLET successfully at least one time, and the City of Tucson has developed a policy to use GPLET. He noted staff would consider this information during the analysis, noting that it should not prevent the City from moving forward.

In response to a question from Chairman Heredia on allowed areas for GPLET, Mr. Smith answered the most effective location for GPLET is the Central Business District. He noted that GPLET can be used outside that area but becomes more complex with less benefit.

Responding to a question from Chairman Heredia on the number of GPLET agreements the City has approved, Mr. McVay reported on the significant increase in interest and noted the City had approved approximately six to eight GPLET agreements over the last five years.

In response to multiple questions from Committeemember Duff regarding GPLET, Mr. McVay stated that GPLET must directly benefit the community, such as improvements to infrastructure or affordable housing. He explained scenarios where GPLET may be requested, adding the City would ask to hold several units in the complex as affordable housing for Mesa residents.

Additional discussion ensued on the GPLET process.

Ms. Rorex outlined additional strategies, including Small Lot Single Residence Development (RSL) and Adaptive Reuse options. (See Page 4 of Attachment 2)

Responding to a question from Chairman Heredia, Mr. Appiah answered staff met with the development community and various City departments over the last year and hopes to provide proposed code changes to Council by the end of this calendar year.

In response to multiple questions from Committeemember Duff, Mr. Appiah summarized staff is looking into ways to structure and define development standards, expedite the review process, and provide incentives. He added staff is also looking into ways to encourage diverse housing options while being mindful of the infrastructure. He pointed out that the upcoming Balanced Housing Plan will open a comprehensive discussion to address the rezoning issue.

Responding to multiple questions from Chairman Heredia regarding multi-family conversion, Mr. Appiah summarized the zoning requirements and gave several examples. He noted the additional housing requirements include increased landscaping and covered parking. He explained the approval process allows Council to evaluate projects based on location.

Mr. McVay noted the importance of life and safety requirements defined by the building code when requesting a change of occupancy.

Additional discussion ensued on Small Lot Single Residence Development and Adaptive Reuse.

Chairman Heredia thanked staff for the presentation and noted it was the consensus of the Committee to forward the item on to the full Council.

2-c. Hear a presentation, discuss, and provide direction regarding a proposed emergency temporary shelter program for displaced mobile home residents.

Housing and Community Development Director Michelle Albanese introduced Community Services Deputy Director Mary Brandon and Assistant City Attorney Sarah Staudinger and displayed a PowerPoint presentation on a proposed Emergency Temporary Shelter Program for displaced mobile home residents. **(See Attachment 3)**

Ms. Albanese explained the Path to Recovery, which transitions individuals experiencing homelessness and those at risk. She emphasized that a strong, sufficient housing and services system supporting health and recovery is an essential element when addressing homelessness. (See Page 2 of Attachment 3)

Ms. Albanese outlined the current housing market for Mesa, adding homelessness has increased, and housing affordability has decreased in Mesa since the COVID-19 pandemic. She

noted homelessness has risen in Mesa by 37% since 2020, and Mesa's 2022 Point in Time count identified 451 individuals experiencing homelessness. She reported the cost of rental housing and homeownership has increased, which has impacted the availability of housing opportunities in Mesa, specifically for low and moderate-income persons. (See Page 3 of Attachment 3)

Responding to a request for clarification from Committeemember Duff, Ms. Albanese explained Mesa is one of two communities with 10% affordable housing; however, there is still a significant challenge in locating affordable housing.

Ms. Brandon shared data from the Housing Master Plan and Housing Balance Plan for mobile homes in Mesa. She provided background and statistics for mobile homes in Mesa. (See Page 4 of Attachment 3)

In response to a question posed by Chairman Heredia regarding mobile home occupancy, Ms. Brandon answered most mobile homeowners pay rent and utilities to the mobile home park.

Ms. Staudinger explained the proposed preliminary concept provides additional or supplemental money to mobile home residents who are not eligible or receive a minimal amount from the Mobile Home Relocation Fund. She expanded the fund collects money from landlords and tenants and provides relocation assistance to residents due to a change of use of the mobile home park. She explained the relocation amounts are \$7,500 for a single-section home and \$12,500 for a multi-section home. If the home cannot be moved, the homeowner only receives 25% of the home value, must abandon the mobile home, and transfer the title to the landlord. (See Page 5 of Attachment 3)

Responding to a question from Chairman Heredia, Ms. Staudinger confirmed homeowners must apply for State funds within an allowed timeframe, show proof of inspection and approval at the new location to receive assistance.

Ms. Brandon reiterated the program's goal and the qualifications for approval. She pointed out that the program, like the Rapid Rehousing Program, moves displaced residents into another rental unit and pays for housing and utilities for six months. (See Page 6 of Attachment 3)

Ms. Lewis clarified the program is not eligible for federal dollars and that funds would need to come from the City's General Fund or human services dollars. She gave examples that would prevent residents from receiving funding. She noted that the program provides flexibility to look at resident eligibility and supplement assistance from there. She reiterated the goal is to help people connect to the workforce and move on into additional recovery and housing to prevent homelessness.

Chairman Heredia thanked staff for the presentation and indicated it was the consensus of the Committee that the item be forwarded on to the full Council.

3. Adjournment.

Without objection, the meeting adjourned at 10:32 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Community and Cultural Development Committee of the City of Mesa, Arizona, held on the 5th day of May 2022. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

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(Attachments - 3)



Community and Cultural Development Board

May 5, 2022

Request to Transfer of CDBG Funded Properties to
A New Leaf, Inc.

MICHELLE ALBANESE, HOUSING AND COMMUNITY DEVELOPMENT DIRECTOR

Community Development Block Grant (CDBG) Property Transfer In Review

Background

- **Spring 2016:** New Leaf requested transfer of certain city-owned properties purchased via CDBG.
 - Staff directed to update lease, transfer, sale policy
- **Summer 2017:** City Council approved policy for property transfer, sale and lease of HUD-funded assets.
 - Non-profits must lease/serve minimum 10 years
 - Request to transfer from non-profit
 - 30 Day Public Comment Period
 - Compliant with HUD regulations and uses
 - Non-profit may request waiver from HUD to reduce HUD regulation restricted timeframe
- **Fall 2017:** New Leaf renewed transfer request.

CDBG Property Transfer In Review

City Council (2019/20)

- City Council requested further discussion and analysis on two of three properties:
 1. Main Property
 2. University Property
- Additional information requested
 1. Current Market Value
 2. City-owned property exchange
 3. Funding considerations/cost
- Hobson Property Transfer - City Council Approval (1/27/20)

Property Transfer

CDBG

Main Property

September 2017 appraisal

- \$166,000

Current area comps - value of similar property

- \$300,000 to \$325,000

Approximate increase in value

- \$134,000 - \$159,000

Property Transfer

CDBG

University Property

September 2017 appraisal

- \$350,000

Current area comps - value of similar property

- \$500,000 to \$560,000

Approximate increase in value

- \$150,000 - \$210,000.

CDBG Property Transfer

Options for Consideration

- 1. Sell the Main Property & University Property**
 - Sell at current fair market value
 - Could trigger displacement/relocation -
 - Potential additional costs to City and/or A New Leaf
 - Return funds to CDBG Line of Credit per HUD requirements
 - A New Leaf to identify possible alternate properties
 - A New Leaf - submit a funding proposal request for CDBG funds for FY 2023/2024
 - For the purposes of acquisition and rehabilitation of alternate location

CDBG Property Transfer

Options for Consideration

- 2. Transfer the Main Property & University Property**
 - City transfers both properties to A New Leaf with a continued use period of 10 years before fee-simple ownership
 - City continues to own properties through continued use period
 - A New Leaf continues to maintain properties
 - A New Leaf continues to comply with CDBG Continued Use Regulations

CDBG Property Transfer

Options for Consideration

3. Continue Leasing Main Property & University Property to A New Leaf
 - Continue Leasing properties
 - City continues to own properties
 - A New Leaf continues to maintain properties
 - A New Leaf continues to comply with CDBG Continued Use Regulations

Today's Request

Propose a Committee recommendation (sell, lease, transfer) for full City Council consideration.



Questions? Discussion. Recommendation.

Strategies for Affordable Housing

Kellie Rorex, Jeff McVay,
Nana Appiah



City Council Community and
Cultural Development
Committee Meeting

May 5, 2022

What is Affordable Housing?

- ▶ **Housing and Urban Development (HUD) Definition:** *In general, housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities.*
- ▶ **Area Median Income (AMI):** *The area median income adjusted for Family size, as determined yearly by HUD. Uses Metropolitan Statistical Area (MSA)*
- ▶ FY2022 Phoenix-Mesa-Scottsdale – Median Family Income (family of four):
 - ▶ \$88,800/year
- ▶ What affordable housing looks like using HUD definitions:
 - ▶ Affordable @ 100% AMI (\$88,800/year): \$2,220/month
 - ▶ Affordable @ 80% AMI (\$71,040/year): \$1,776/month
 - ▶ Affordable @ 60% AMI (\$53,280/year): \$1,332/month
 - ▶ Affordable @ 40% AMI (\$35,520/year): \$888/month

What is Affordable Housing?

Housing and Urban Development (HUD) Definition: *In general, housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities.*

Using ACS Census Data for Mesa alone

- ▶ Mesa Median Household Income (in 2020 dollars), 2016-2020:
 - ▶ \$61,640/year
- ▶ What affordable housing looks like in Mesa:
 - ▶ Affordable @ 30% Mesa Median Household Income:
 - ▶ \$18,492/year, or \$1,541/month.
- ▶ Median Gross Rent, 2016-2020:
 - ▶ \$1,105/month.
- ▶ RentCafe average rent in Mesa \$1,520 (as of February 2022)
- ▶ Median Monthly Mortgage, 2016-2020:
 - ▶ \$1,497/month.

Strategies

- ▶ Government Property Lease Excise Tax (GPLET)
 - ▶ Used in neighboring Cities to support affordability through job creation and retention, subsidized transit, and housing fund supplement
- ▶ Small Lot Single Residence (RSL) Development
 - ▶ Increased density in appropriate areas.
 - ▶ Efficiency of Infrastructure.
 - ▶ Provide missing middle housing.
- ▶ Adaptive Reuse
 - ▶ Hotel/motel and office space conversion to apartments
 - ▶ Efficiency of infrastructure and use of existing amenities.
 - ▶ Encourages redevelopment and reinvestment in aging areas.

CCD Meeting

May 5, 2022

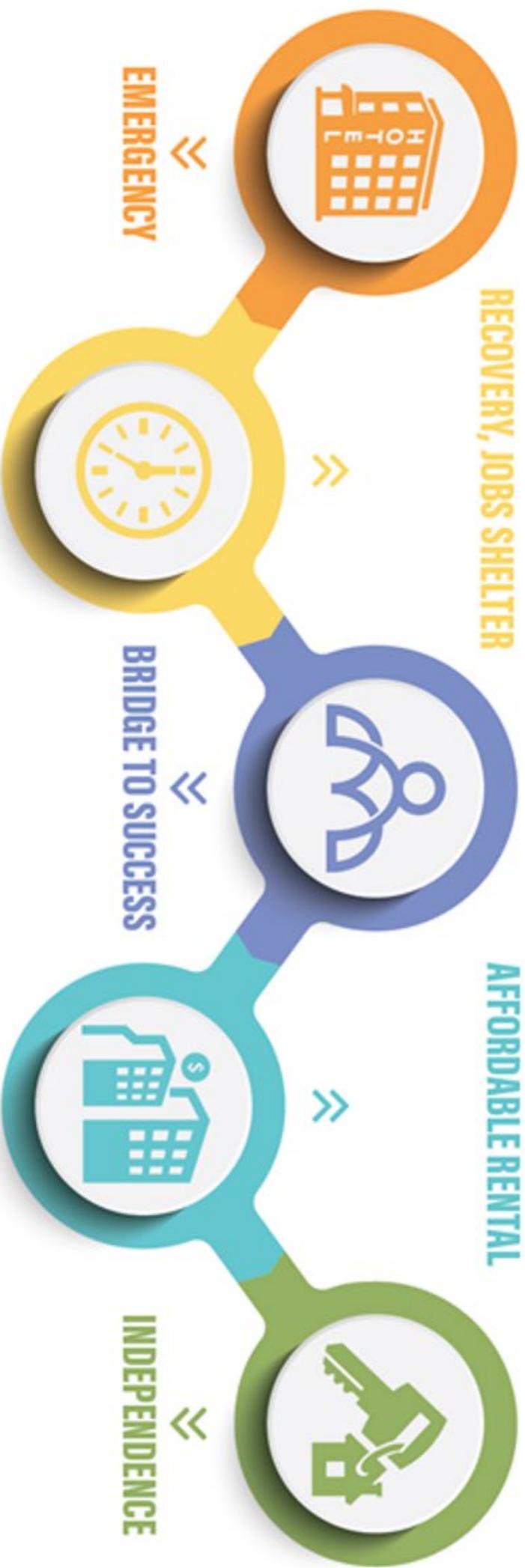
Proposed Emergency Temporary Shelter Program for Displaced Mobile Home Residents

Michelle Albanese, Community Development Director

Mary Brandon, Community Services Deputy Director

Sarah Staudinger, Assistant City Attorney

Path to Recovery



Mesa's Current Housing Market

COVID Impact

- Homelessness increased and housing affordability decreased in Mesa since the COVID-19 pandemic
- Effects of the COVID-19 pandemic are still being felt in Mesa

Homelessness

- Increased in Mesa 37% since 2020
- Mesa's 2022 Point in Time Count identified 451 persons experiencing homelessness

Rental Market

- Mesa's rents have increased 31% since 2021
- Average rent for a 1-bedroom is \$1,529
- Rental occupancy rate is currently at 4.7%
- Mesa is 1 of 2 communities in country with min. 10% affordable housing

Homeownership

- Mesa's home value have increased 32.9% since 2021
- Average home value in Mesa is \$465,000

Mobile Homes in Mesa



Arizona Statute: Mobile Home Relocation Fund *A.R.S. § 33-1476.01 – 33-1476.05*

- Mobile home residents who must move from a mobile home park due to park change of use (i.e. sale, closure, redevelopment); increased rent; or newly imposed age-restrictions may qualify for relocation assistance from the State
- Relocation assistance amounts: Lesser of the actual moving expenses *or* maximum of \$7,500 for single section home or \$12,500 for multi-section home
- If mobile home cannot be relocated: Abandon home, receive 25% of the maximum amount above, and deliver title to landlord

Proposed Preliminary Concept



- **Goal**
 - Address the housing emergency by providing short-term shelter to displaced residents of mobile homes
- **Who would qualify?**
 - Mobile home residents subject to change of use of the mobile home park, increased rent, or newly imposed age-restrictions at the mobile home park *and* whose mobile home cannot be relocated
- **What would City program provide?**
 - Emergency, short-term shelter to qualified displaced mobile home residents via rental assistance
 - Lesser of six months rental assistance *or* \$7,800 for one-bedroom *or* \$9,450 for two-bedroom in rental assistance, paid directly to landlord

Questions & Recommendations