

SCOTTSDALE CITY COUNCIL
SPECIAL MEETING MINUTES
FRIDAY, NOVEMBER 1, 2013



CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251

CALL TO ORDER

Mayor W.J. "Jim" Lane called to order a Special Meeting of the Scottsdale City Council at 8:35 A.M. on Friday, November 1, 2013, in the City Hall Kiva.

ROLL CALL

Present: Mayor W.J. "Jim" Lane
Vice Mayor Virginia L. Korte
Councilmembers Suzanne Klapp, Robert W. Littlefield, Linda Milhaven,
Guy Phillips, and Dennis E. Robbins

Also Present: Acting City Manager Brad Hartig
City Attorney Bruce Washburn
City Treasurer Jeff Nichols
City Auditor Sharron Walker
City Clerk Carolyn Jagger

1. Belleview Properties Construction Contracts

Request: Presentation, discussion, possible action and/or direction to staff regarding options for meeting the corrective action delineated by the Department of Housing and Urban Development (HUD) in its finding of non-compliance regarding the properties located at 7220 and 7224 E. Belleview. As part of its discussion, Council may consider whether to adopt **Resolution No. 9578** rescinding the City Council's previous actions approving Resolution Nos. 9539 and 9540 and direct staff to implement the termination for convenience provisions of Construction Manager at Risk Pre-construction Contract No. 2013-154-COS and Construction Manager at Risk Contract No. 2013-155-COS with Habitat for Humanity of Central Arizona.

Presenter(s): William Murphy, Community Services Executive Director

Staff Contact(s): William Murphy, Community Services Executive Director, 480-312-7954, bmurphy@scottsdaleaz.gov

NOTE: MINUTES OF CITY COUNCIL MEETINGS AND WORK STUDY SESSIONS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARIZONA REVISED STATUTES. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN AND DIRECTION GIVEN BY THE CITY COUNCIL AND ARE NOT VERBATIM TRANSCRIPTS. DIGITAL RECORDINGS AND CLOSED CAPTION TRANSCRIPTS OF SCOTTSDALE CITY COUNCIL MEETINGS ARE AVAILABLE ONLINE AND ARE ON FILE IN THE CITY CLERK'S OFFICE.

Community Services Executive Director William Murphy gave a PowerPoint presentation (attached), which outlined the four options for meeting the corrective action delineated by the Department of Housing and Urban Development in its finding of non-compliance regarding the properties located at 7220 and 7224 E. Belleview.

MOTION AND VOTE - ITEM 1

Councilman Littlefield made a motion to adopt Resolution 9578 and direct staff to pursue Option 3 (return non-federal funds in the amount of \$825,000 to the City's local account to be reprogrammed to the City's Housing Rehabilitation Program's Revolving Loan Fund). Councilman Phillips seconded the motion, which failed 3/4, with Vice Mayor Korte and Councilmembers Klapp, Milhaven, and Robbins dissenting.

Mayor and Council Items – None

ADJOURNMENT

With no further business to discuss, the Special Meeting adjourned at 9:44 A.M.

SUBMITTED BY:



**Carolyn Jagger
City Clerk**

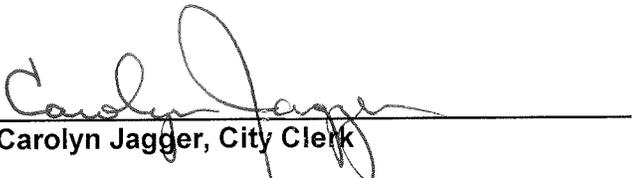
Officially approved by the City Council on December 9, 2013

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Special Meeting of the City Council of Scottsdale, Arizona held on the 1st day of November 2013.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 9th day of December 2013.



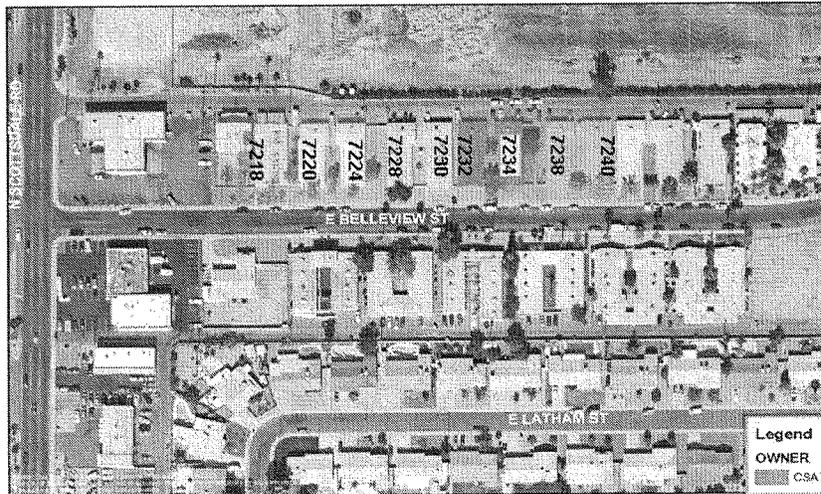
Carolyn Jagger, City Clerk

Item 1

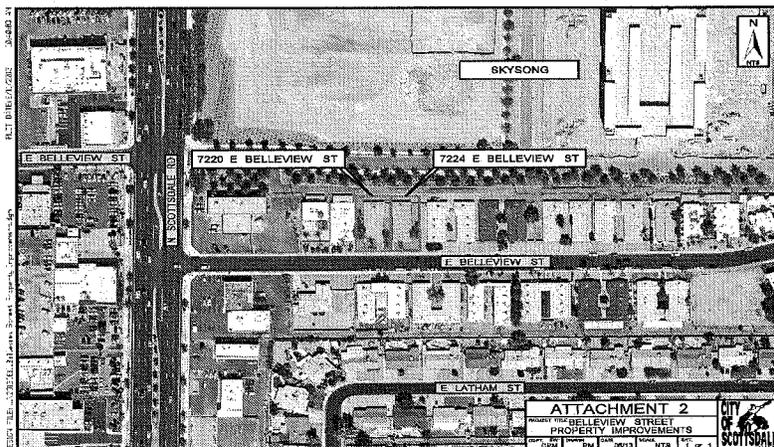
Community Development Block Grant (CDBG)

**Bellevue Affordable Housing
7220/7224 E. Bellevue St.**

BELLEVUE PROPERTIES - 2007



BELLEVUE PROPERTIES - 2013



HUD GUIDANCE

Finding of Non-Compliance – Bellevue

- Failed to meet a CDBG National Objective
 - 24 CFR 570.506, 570.900(b)(3)
- After 7 years, building remain uninhabitable and unoccupied
- 2004/2005 CDBG Funds awarded in FY 2006
- Properties have surpassed reasonable time period for demonstrating national objective compliance

HUD GUIDANCE

Corrective Action Required

- "Within 60 days, reimburse the program account or line of credit for activities in the amount of \$1,176,588"
- The amount for 7220 and 7224 properties is \$825,000
- February 22, 2013 – Extension requested
- March 14, 2013 – HUD authorized 1 year extension (March 25, 2014)

ACTIONS FOR COMPLIANCE

Council Authorizations:

- February 26 – Acquire 7220 and 7224 E. Belleview
- April 16 – \$300,000 for the cost of acquisition 7220 and 7224 E. Belleview
- July 1 – \$150,000 for design and rehabilitation of properties
- September 10 – \$800,000 for construction of properties
- October 8 – CMAR award for \$10,000
- October 22 – Award of GMP for Habitat for Humanity

ACTIONS FOR COMPLIANCE

- RFP for Management Company
- Reconstruction of properties completed by January 2014
- Occupancy by March 25, 2014
- Compliance of National Objective and Eligible Activity for 7220 and 7224 E. Belleview

ADDITIONAL HUD GUIDANCE

- Based on discussion from the October 22 Council meeting, staff sought clarification from HUD regarding reimbursing funds
- In discussion with HUD on October 28, HUD suggested another option – repay the funds to the City's local CDBG account for CDBG eligible activities
- October 31 – Received additional clarification from HUD

OPTIONS AVAIABLE FOR COUNCIL CONSIDERATION

Option 1:

Return non-federal funds in the amount of \$825,000 to the U.S. Treasury (line of credit) for 7220 and 7224 E. Belleview St.

- The line of credit – U.S. Treasury account which holds the City's allocation from HUD in the Integrated Disbursement Information System (IDIS)
- IDIS is the system the City sets up and tracks eligible activities and submits reimbursement requests

POLICY IMPLICATIONS

Option 1:

- Funds would be "swept"
- Funds would not be returned to the City for reprogramming for CDBG eligible activities
- Staff would present an action at a subsequent meeting regarding disposition of properties and reimbursement of funds

OPTIONS AVAIABLE FOR COUNCIL CONSIDERATION

Option 2:

Return non-federal funds in the amount of \$825,000 to the City's local account to be reprogrammed for other CDBG eligible activities

- Local account – The City's bank account

POLICY IMPLICATIONS

Option 2:

- Reimburse non-federal funds to the City's local line of credit for the purpose of reprogramming the funds to other CDBG eligible non-public services activities
- Staff would present an action at a subsequent meeting amending the CDBG Annual Action Plan to account for the use of reprogrammed funds

OPTIONS AVAIABLE FOR COUNCIL CONSIDERATION

Option 3:

Return non-federal funds in the amount of \$825,000 to the City's local account to be reprogrammed to the City's Housing Rehabilitation Program's Revolving Loan Fund

- Local account – City's bank account
- Revolving Loan Fund – A separate fund set up for the purpose of carrying out Housing Rehabilitation activities

POLICY IMPLICATIONS

Option 3:

- Per 24 CFR 570.513(a), funds deposited into a rehabilitation fund shall not exceed the grant amount that the recipient reasonably expects to expend
- The current FTE designated to this program would have a challenge spending an additional \$825,000
- Staff would present an action at a subsequent meeting amending the CDBG Annual Action Plan to account for the use of reprogrammed funds

OPTIONS AVAIBLE FOR COUNCIL CONSIDERATION

Option 4:

- Continue with contract for Habitat for Humanity in reconstructing 7220 and 7224 E. Belleview St.
- Continue effort toward meeting compliance and construction schedule while meeting the CDBG National Objective and Eligible Activity by March 25, 2014