as approved June 8, 2006

NEIGHBORHOOD ENHANCEMENT COMMISSION
REGULAR MEETING
Thursday, May 25, 2006
Civic Center Conference Room
3rd Floor One Civic Center
7447 E. Indian School Road

PRESENT: John Shultz, Chairman
Patricia Badenoch, Vice-Chair
Lisa Haskell, Commissioner
Aaron Kern, Commissioner
Christine Schild, Commissioner

ABSENT: John Horwitz, Commissioner (excused absence)
Jim Pompe, Commissioner (excused absence)

STAFF: Joanie Mead, Neighborhood Education Manager

CALL TO ORDER/ROLL CALL

Chairman Shultz called the meeting to order at 5:37 p.m. A roll call confirmed the presence of Commissioners as noted above.

1. Approval of March 22, 2006 Minutes.

Chairman Shultz inquired whether there were any changes to the March 22, 2006 Minutes. Commissioner Schild requested that “excused absence” be placed next to her name. Ms. Mead suggested that the same change be made for Commissioner Horwitz. She also requested that an N be inserted after the & in Judy Register’s title be shown correctly as "C & NR General Manager."

VICE-CHAIR BADENOCH MOVED TO APPROVE THE MINUTES OF THE MARCH 22, 2006 MEETING AS AMENDED. COMMISSIONER KERN SECONDED THE MOTION, WHICH CARRIED WITH A VOTE OF FOUR (4) TO ZERO (0), WITH COMMISSIONER SCHILD ABSTAINING AS A RESULT OF HER ABSENCE.

2. Discussion and Possible Commission Action on Changes to the Neighborhood Enhancement Partnership (NEP) Program Guidelines and Application Process.

Ms. Mead began the discussion by referring to the Proposed Modification Draft she emailed to the Commission. Pointing out that it was a summary of topics discussed at previous meetings arranged in corresponding order matching the headings of the current Guidelines.

Chairman Shultz reported that the proposed Guidelines should be finalized by the June 8, 2006 meeting, wherein Commission members will be required to vote for approval to go before City Council by July 11, 2006. In response to Commissioner Kern's inquiry, Ms. Mead stated that the City Attorney's Office will review the document before the July 11, 2006 meeting.

Ms. Mead provided an overview of the FY '06-'07 NEC budget, explaining that out of the proposed budget of $75K, once they deduct $17,500 for Rock the House and $12,000 for previous projects, they will have a balance of approximately $45,000. Ms. Mead noted that regarding the $12,000 for previous projects; some of those projects may not make the 12-month deadline.

Modification #1—Who can apply?

Churches/Schools:

Commissioner Schild stated that the big question is whether they continue to fund the community projects such as schools and churches. Ms. Mead pointed out that starting next year, community projects such as Treasures 'n Trash and GAIN will be placed in the operating budget. Discussion ensued regarding churches and schools not being considered for grants.

Chairman Shultz and Commissioner Schild recalled the audit findings included an objection to church and school projects. Commissioner Kern opined that even though churches and schools are an important part of the community, their inclusion raises legal issues.

The Commission agreed to exclude churches and schools from funding.

Sweat Equity Incentives:

Chairman Shultz explained that the only way they could fund them would be if the church or school provided a significant match such as 75% with the grant amount being 25% of the total amount of the project. Commissioner Schild stated that they would then be facilitating the project instead of paying for the whole project.

Commissioner Haskell suggested that even though some of the schools have come up with great projects in the past, they should consider excluding churches and schools. She inquired whether "still maintaining a 50% representation from the specific neighborhood" is being defined as volunteering and contributions.

Commissioner Haskell suggested that they make the sweat equity component more visible in the guidelines, even though HOAs in the past have rarely had a sweat equity component. Ms. Mead explained that HOAs usually have a means to

increase fees or request a special assessment from their members. Non-HOAs do not have that option and sometimes need the sweat equity component.

In response to Commissioner Kern's comment that the Commission should be able to fund a larger portion if they think it is a great project, Commissioner Schild argued that the greater the discretion the Commission has, the higher the risk that people will accuse the NEC of discrimination. Commissioner Kern pointed out that if an HOA could prove the benefit of the sweat equity, the Commission could provide incentives by increasing the grant percentage. He elaborated that communities come together when working on neighborhood projects, hence "Neighborhood Enhancement Commission."

Commissioner Schild suggested that the HOA come up with 75% of the cost of the project and the Commission will fund 25% up to the cap amount, allowing them to reduce their match by 25% to a 50% match if they provide confirmed sweat equity. Commissioner Haskell opined that HOAs are not interested in sweat equity since homeowners feel that they are already paying their maintenance fees and such projects are already covered.

Chairman Shultz noted that the main problem with sweat equity replacing part of the match would be setting up a system to measure the amount of hours completed, and the dollar value of the sweat equity. He reported that Glendale uses a project-based system.

Chairman Shultz noted that they may come up against insurance liability issues when dealing with larger HOA projects such as landscaping or painting. It is much easier when dealing with non-HOA projects that already have city liability coverage. Commissioners agreed that insurance issues should be addressed when the HOA Board approves a project before submitting it to the Commission.

Commissioner Haskell suggested that they allow the HOAs to commit to members doing community service that would be completed in other projects within Scottsdale in order to fulfill the amount of sweat equity agreed to if they are unable to provide sweat equity on their own project. Commissioner Schild stated that they would have to provide a record with supervisor signatures upon community service completion.

Commissioner Schild recalled that the Casa de Cielo project had a very organized application reflecting lots of sweat equity in their neighborhood. Commissioner Kern pointed out that they should include the wording—whenever possible sweat equity is encouraged.

Vice-Chair Badenoch agreed that they request a match of up to 75% of the project, allowing it to be reduced to 50% by sweat equity at the discretion of the Commission. In response to Ms. Mead's inquiry about proof of sweat equity, Commissioner Schild argued that the HOA must provide a sign-in sheet or proof of completion. Ms. Mead inquired how will they explain the reduction of the match as a result of sweat equity.

Chairman Shultz explained that they will need some type of point/scoring system to use for value comparison of sweat equity. For example, three hours at the library vs. six hours of painting. Commissioner Schild suggested that the Commission in its discretion, be able to lower the amount of the match based upon the community

service offered by the applicant, and in no event shall the match be lowered to less than 50%.

Chairman Shultz stated that they should just say "sweat equity," leave out the scoring and keeping it project-based. Commissioner Schild agreed that they would be offering an incentive in exchange for man-hours being factored in during the grant consideration process. Commissioner Kern stated that the definition should not bog them down. The Commission's future goal should be to reflect the community providing numerous hours of community service as a result of the NEC grant program. Chairman Shultz suggested that they provide applicants with a list of places that need community service, and the applicants be required to provide photos showing project completion.

Ms. Mead mentioned that Question #8 on the current application states that "residents will be involved in the implementation of this project by…." She indicated that they could be more specific under the existing category entitled "Neighborhood Community & Involvement." Ms. Mead also suggested that they add community service under "Application Criteria" to be a factor for consideration during application evaluation.

Commissioners agreed that they should advise applicants that a list of community-based volunteer projects throughout the city is available for projects that do not provide an opportunity for sweat equity. This can also be mentioned at the Orientation Workshops.

Commissioner Schild reported that if they are going to move towards large projects, competition will create merit issues. By encouraging some sort of sweat equity/community service, they will be accomplishing more than funding. This could become a future requirement if it is found to increase competition.

> ***The consensus of the Commission was to delete community projects from the Guidelines; the definition of HOAs is the same as 2003; HOAs are required to provide a match of up to 75% of the project amount and non-HOAs are encouraged but not required to provide a match; the sweat equity component of HOA or non-HOA neighborhood matching can be reduced from 75% to 50% with proof of sweat equity completion; when a project does not provide an opportunity for sweat equity, a list of community-based volunteer projects throughout the City will be made available.***

Modification #2—What types of projects are ineligible:

Chairman Shultz requested that the Legal Department provide a workable definition of HOAs, Property Associations, and Community Associations. He noted that they still get inquiries from the McCormick Ranch Property Association.

Eligible—Beautification, Conservation, and Safety Projects:

Chairman Shultz reiterated that the types of projects will be beautification, conservation, and safety. In response to Commissioner Schild's inquiry about

adding neighborhood identification for signs, Chairman Shultz argued that they should keep the definitions broad.

Chairman Shultz suggested that they keep all non-eligible project categories from 2003, with the exception of maintenance projects. Commissioner Schild recommended that they only provide non-HOA neighborhoods with maintenance funding. Commissioner Haskell pointed out that some older HOAs have been managed badly and are in need of maintenance funding.

In response to Commissioner Kern's inquiry about legally being able to request the revealing of reserve funds, Commissioner Schild stated that it is a factor to be weighed during application review.

Commissioner Schild clarified that the reserve studies are going to be part of the application, and the merits of the maintenance request should be based on the amount of the financial information provided.

Chairman Shultz commented that a community is a reflection on the city, and maintenance constitutes beautification of the neighborhood. Commissioner Schild suggested that they include a qualifier that states that HOAs 25 years or older can qualify for maintenance money at the Commission's discretion should lack of maintenance constitute a blight on the neighborhood. Chairman Shultz argued that they first qualify and then it is up to the Commission to decide whether they qualify for maintenance funding.

Reserve Studies:

Vice-Chair Badenoch recommended if an HOA's reserve fund cannot be used and it is earmarked for a specific purpose, the policy of that HOA should be changed. Chairman Shultz stated that the HOA could explain to the Commission why it cannot be used.

Ms. Mead pointed out that when an applicant does not have a reserve study they could submit their operating budget for the year. Chairman Shultz suggested that if an HOA is 25 years or older, they can quality for maintenance or reserve study grants.

Commissioner Haskell pointed out that a reserve study would put them on a sound financial track for the future of the community and the city. Commissioner Schild commented that the reserve study would only qualify for a $2,500 grant, and they could put a cap on how many will be funded. Chairman Shultz commented that this would encourage HOAs to do repairs, and it would show them that the city does care.

In response to Vice-Chair Badenoch's inquiry, Chairman Shultz explained that a reserve study maps out future financial needs based on the community's financial health and capital. The city does not require reserve studies because an HOA is considered a corporation. Discussion followed regarding requiring applicants to have reserve studies.

Vice-Chair Badenoch noted that reserve studies should be encouraged so the Commission will know what they are for when an applicant returns for their second grant. Chairman Shultz pointed out that older HOAs could not afford to change their operation costs.

The Commission agreed that there will be no project restrictions as long as they fit the definition; all grant applications from HOAs must be accompanied by either the reserve study or a financial statement; HOAs greater than or equal to 25 years old and non-HOAs greater than or equal to 15 years old can qualify for maintenance funding; and HOAs greater than or equal to 25 years old can also qualify for reserve studies.

Modification #3—Funding Cycles and Amounts:

Commissioner Schild recommended that the large grant cycles are yearly and the smaller grants cycles are quarterly. Chairman Shultz explained that quarterly or six month cycles would not work because the project cannot be completed in that time frame. Vice-Chair Badenoch stated that twice a year works well. Commissioner Schild pointed out that the $15,000 grants should be publicized.

Discussion followed regarding $10,000 be set aside for small grants allowing up to $2,500 each, leaving $35,000 for one large grant. Chairman Shultz stated that it should be up to the Commission to recommend projects be done in phases so they can reapply later.

Ms. Mead suggested that if they will be only funding four small grants, the reserve studies should not be required. Chairman Shultz pointed out that if an HOA shows lots of volunteer work and their need for a reserve study, it should be up to the Commission.

Chairman Shultz clarified that the small grants will cover neighborhood capacity building—one time application. Commissioner Schild suggested that they not write limitations on the budget into the Guidelines.

In response to Vice-Chair Badenoch's inquiry about carryovers from this current fiscal year to the next fiscal year ('06-'07), Ms. Mead reported that the carryover is approximately $4,000. Discussion continued regarding small grants versus large grants. Commissioner Shultz explained there will be no cap on the amount the HOAs can apply for, but instead HOAs will be required to explain on the application their match of up to 75% of the project amount.

The Commission agreed that the grants should not depend on accessibility or visibility, since the whole package will be considered.

Commissioner Schild indicated that since they are going to condense the number of neighborhoods they will be touching on an annual basis, they should allow HOAs to apply every other year.

Chairman Shultz argued that they should be allowed to apply every six months, especially if they show community involvement. Commenting that a large project

could then be broken down into phases and they could come back to apply for each phase, pointing out that it is hard to keep involved over large periods of time. Vice-Chair Badenoch and Commissioner Kern agreed with Chairman Shultz' comments regarding continuity.

Commissioner Schild argued that giving money to an HOA every six months would cause complications, especially if they are competing against another group applying for the first time. By requesting applicants to do their project in phases, is the Commission creating a detrimental sense of reliance?

Chairman Shultz recommended that they say that each grant submittal is based on its merit, suggesting that the applicant scale down their project with the possibility of coming back and applying another time. Vice-Chair Badenoch reported that they are free to go to City Council themselves to explain their situation.

Chairman Shultz suggested that non-HOA traditional neighborhoods can apply every funding cycle and HOAs can apply once a year, commenting that the first funding cycle of the new Guidelines will be in the fall.

Ms. Mead reported that the current Guidelines require that applicants wait two years from the date they receive the funds and not the date they received approval. Chairman Shultz argued that if they have a safety issue such as security lighting and it goes past the year, they would have to wait another year. Commissioner Schild suggested that non-HOAs be allowed to apply every funding cycle and HOAs be allowed to apply once per calendar year. Commissioner Kern suggested that they say receiving grants instead of applying, that way they can apply any time but they can only receive money once a year.

Commissioner Schild recommended that non-HOAs must demonstrate completion of any prior grant awards before becoming eligible to receive additional funding.

Ms. Mead reiterated that the current Guidelines state that applications from HOAs may be submitted in November and May, applications who were previously were awarded NEP funds are again eligible to apply for funding two years from the date funds were issued.

Commissioner Schild suggested the neighborhoods may qualify for additional NEP funds only upon proof of completion of any prior grant award project; HOAs may only receive grant funding once per calendar year. Chairman Shultz recommended that HOAs are eligible to receive funding once per calendar year and non-HOAs may receive multiple funding.

Commissioner Schild pointed out that the question "have you received prior funding, and if so, has that project been completed" be added to the Application. Vice-Chair Badenoch suggested that disclosure of a timeline be included. Commissioner Schild stated that any prior grant funds must be fully expended prior to being eligible for further funding.

Ms. Mead suggested that calendar year be changed to fiscal year, within a 12-month time period. Chairman Shultz suggested changing it to any 12-month period so applicants are not tied into annual or fiscal years.

Ms. Mead pointed out that the current Guidelines allows $1,500 for safety, and staff approves up to $500. Chairman Shultz stated that the limit should be changed to $2,500. Commissioner Schild suggested that staff approval be eliminated. Chairman Shultz noted that they should have to come to the Commission.

Ms. Mead noted that HOAs should be required to go to the grant Orientation Workshop and non-HOAs should be encouraged to attend. Chairman Shultz agreed that non-HOAs should be encouraged to attend and not be required. Vice-Chair Badenoch argued that it should be required of both. Ms. Mead commented that since they will be competing against each other, they should all know the rules.

Ms. Mead suggested that they require the projects to be completed within six months, requesting an extension when necessary.

The Commission agreed that grant cycles remain twice a year; non-HOAs can apply and receive funding every grant cycle upon proof of completion of any prior grant award project; HOAs can apply every grant cycle and can only receive funding once per 12 months; all prior grant funds must be fully expended prior to being eligible for further funding; HOAs and non-HOAs are required to attend the grant Orientation Workshop; all projects are required to be completed within six months unless they request an extension; and

$20,000 be set aside for small grants allowing up to $2,500 each covering beautification, conservation, maintenance, or safety; leaving $25,000 for one large grant available to any approved applicant.

Ms. Mead asked what other changes should be made in regards to going to Council. Vice-Chair Badenoch suggested that upon consent of the Commission, they will go to City Council with their Guidelines recommendations in hand. She commented that the consent agenda should be twice a year.

In response to Commissioner Kern's inquiry, Commissioner Schild stated that they can review the Draft Guidelines to prepare comments for the next meeting via email, as long as they don't ask each other questions. Commissioner Schild volunteered to help Ms. Mead with preparing the next Draft of the Guidelines.

Commissioner Kern reported that the East Valley Tribune should be contacted to write a follow-up article on the NEP Guidelines being rewritten.

3. Staff and Commission Updates (A.R.S. § 38-431.02 (K)

There were no staff updates.

4. Open Call to the Public (A.R.S. § 38-431.02)

No members of the public wished to address the Commission.

5. Next Meeting Date and Future Agenda Items

Commissioner Kern suggested that City Council have a NEC open house in order to show the changes made to the NEP Guidelines. Commissioner Schild pointed out that would be something added to a future agenda, to be arranged by the NEC as an event similar to GAIN orientation or the picnic at Supai with canvassing the neighborhood.

While distributing information packets along with a schedule for the Scottsdale 101 classes, Ms. Mead reported that four cases came in and only one didn't qualify because they applied 6 months too soon, based upon receipt of previous funding. She indicated that the next meeting is scheduled for June 8, 2006 at 5:30 p.m. and there will be three cases on the agenda along with voting on the NEP Guidelines.

Chairman Shultz stated that Commissioner Schild would have to leave by 8:00 p.m. at the June 8th, 2006 meeting.

Ms. Mead requested that Commissioners Haskell and Kern fill out the information cards for the Clerk's office before leaving tonight's meeting.

ADJOURNMENT

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 7:53 p.m.

Respectfully submitted,
AV-Tronics, Inc.

Officially approved by the Neighborhood Enhancement Commission on _____