

Mayor and Council Communication

DATE: 02/16/21

M&C FILE NUMBER: M&C 21-0107

LOG NAME: 19SALVATIONARMYREHABPROJECT

SUBJECT

(CD 8) Authorize Change in Use and Expenditure in the Amount of \$754,302.80 of Community Development Block Grant Funds Restricted Cash to The Salvation Army, a Georgia Corporation in the Form of a Forgivable Loan for the Rehabilitation of the Mabee Center Located at 1855 East Lancaster Avenue, Authorize Execution of Contract, Authorize a Substantial Amendment to the City's 2019-2020 Action Plan, Authorize the Substitution of Funding Years, and Find that Funding the Rehabilitation Serves a Public Purpose

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize a change in use and expenditure in the amount of \$754,302.80 in Community Development Block Grant Restricted Cash funds to The Salvation Army, A Georgia Corporation in the form of a forgivable loan for the rehabilitation of the Mabee Center located at 1855 East Lancaster Avenue, Fort Worth, TX 76103;
2. Authorize a Substantial Amendment to the City's 2019-2020 Action Plan;
3. Authorize the City Manager, or his designee, to substitute of funding years in order to meet United States Department of Housing and Urban Development commitment, disbursement and expenditure deadlines;
4. Authorize the City Manager, or his designee, to execute a contract with The Salvation Army, A Georgia Corporation for the project for a one year term beginning on the date of execution of the contract;
5. Authorize the City Manager, or his designee, to extend or renew the contract with up to two one-year extensions if The Salvation Army, A Georgia Corporation requests an extension and such extension is necessary for completion of the project;
6. Authorize the City Manager, or his designee, to amend the contract if necessary to achieve project goals provided that the amendment is within the scope of the project and in compliance with City policies and applicable laws and regulations governing the use of federal grant funds; and
7. Find that funding the renovation of the Mabee Center achieves the public purpose of providing shelter to homeless families in the City and helps ensure their health and welfare and that adequate controls are in place to ensure that the public purpose is carried out.

DISCUSSION:

On August 27, 2019, the Fort Worth Housing Finance Corporation (FWHFC) Board approved the sale of 904 E. Weatherford, commonly known as the Airporter property, for a proposed 219-unit multifamily, mixed income housing development in downtown Fort Worth (FWHFC-2019-03). FWHFC made a number of attempts to develop affordable housing on the property; however, since no CDBG eligible project was ever developed, federal regulations required FWHFC to sell the property for fair market value since Community Development Block Grant (CDBG) funds were used for its acquisition. The sale closed on February 26, 2020, and the proceeds from the sale, \$2,852,000.00, were transferred back to the City from the FWHFC, as required by CDBG regulations. The Department of Housing and Urban Development (HUD) permitted the City to retain and reallocate the full amount of the proceeds, which is considered CDBG program income. CDBG regulations require that the City use CDBG program income for other CDBG-eligible projects.

The Salvation Army, A Georgia Corporation (The Salvation Army), has requested \$754,302.80 in CDBG funds, in the form of a forgivable loan, for the rehabilitation of the Mabee Center located at 1855 East Lancaster Avenue. The Salvation Army provides emergency shelter to more than 500 Fort Worth families each year and is the primary shelter for homeless families. In 2017, The Salvation Army temporarily converted the single woman and men's shelter to provide a shelter for families and children, but this space requires renovations to accommodate the differences between sheltering single persons and families. The Salvation Army has a men's residential program on campus, and any work resulting from this Project will not reduce or change the number of shelter beds for single men. The scope of work includes the renovation of the existing shelter to create two dormitory-style family shelters, restrooms to accommodate families, safe building entrance and check-in area, three separate family rooms, an ADA family room as well as other 1st floor common areas that are utilized by families. The CDBG funds will be used for design, soft costs and construction associated with the completion of the project.

Staff recommends the following loan terms:

- i. Contract term of one year commencing on the date of execution with the option for two one-year extensions;
- ii. Payment of the CDBG funds and performance of the CDBG requirements will be secured by a Deed of Trust and other loan documents;
- iii. No interest will be charged on the loan unless The Salvation Army defaults under the terms of the contract;
- iv. Loan term to commence on the date of execution of loan documents and end at the termination of the five year Performance Period;
- v. Performance Period shall begin upon issuance of a Certificate of Occupancy for use of the rehabilitated portion of the shelter; and
- vi. Loan will be deferred and forgiven at the end of the five-year Performance Period if all CDBG requirements and terms and conditions of the contract have been met.

Staff recommends that City Council approve amendments to the City's 2019-2020 Action Plan, and authorize the expenditure of \$754,302.80 in

CDBG funds for the proposed rehabilitation of the Mabee Center. A public comment period was held from November 16, 2020 to December 16, 2020. No comments were received.

The Action Plan funding years selected may vary and be substituted based on the principle of First In, First Out (FIFO) in order to expend oldest grant funds first. The funds may be used for any CDBG-eligible costs related to this project on behalf of homeless populations.

The renovations funded through this loan will help provide shelter to homeless families in the City which is vital for protecting their health and safety and connecting them to critical resources that can help them exit homelessness. The City's contract and loan documents will ensure that that public purpose will be carried out.

The project is located in COUNCIL DISTRICT 8.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are available in the current operating budget, as previously appropriated, in the Grants Operating Federal Fund to support the approval of the above recommendations and amendment to the contract. Prior to any expenditure being incurred, the Neighborhood Services Department has the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Fernando Costa 6122

Originating Business Unit Head: Victor Turner 8187

Additional Information Contact: Chad LaRoque 2661
Leticia Rodriguez 7319