

Mayor and Council Communication

DATE: 09/13/22

M&C FILE NUMBER: M&C 22-0685

LOG NAME: 19GRAGG CHILD DEVEL FACILITY

SUBJECT

(CD 8) Authorize Execution of Forgivable Subordinate Loans to Child Care Associates in the Aggregate Amount of \$2,500,000.00 Using Community Development Block Grant and American Rescue Plan Act Funds for the Rehabilitation Project at the Gwendolyn C. Gragg Child Development Facility Located at 2400 E. 1st Street, Authorize Execution of Contracts and Related Loan Documents, Authorize the Substitution of Funding Years, and Find that Funding the Renovation Serves a Public Purpose and that Adequate Controls are in Place

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize execution of forgivable, subordinate loans to Child Care Associates in the amount of \$500,000.00 in Community Development Block Grant Funds and \$2,000,000.00 in American Rescue Plan Act funds for the Rehabilitation Project at the Gwendolyn C. Gragg Child Development Facility located at 2400 E. 1st Street, Fort Worth, Texas;
 2. Authorize the City Manager, or his designee, to substitute funding years in order to meet United States Department of Housing and Urban Development commitment, disbursement and expenditure deadlines for the Community Development Block Grant Funds;
 3. Authorize the City Manager, or his designee, to execute contracts and related loan documents with Child Care Associates for the project with two-year terms beginning on the date of execution of the contract;
 4. Authorize the City Manager, or his designee, to extend or renew the contracts with up to one one-year extension if Child Care Associates requests an extension and such extension is necessary for completion of the project;
 5. Authorize the City Manager, or his designee, to amend the contracts 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
 6. Find that funding the rehabilitation of the Gwendolyn C. Gragg Child Development Facility achieves the public purpose of increasing quality, affordable, accessible, child care options to low- to moderate-income households in the City and helps ensure their health and welfare and that adequate controls through the contract and related loan documents are in place to ensure that the public purpose is carried out.
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DISCUSSION:

Child Care Associates (CCA) has requested \$500,000.00 in Community Development Block Grant (CDBG) funds, in the form of a forgivable loan, for the rehabilitation of the Gwendolyn C. Gragg Child Development facility (Project) located at 2400 E. 1st Street. On May 5, 2020, through Mayor and Council Communication (M&C) 20-0285, City Council authorized the allocation of \$500,000.00 in CDBG funds for the Project. The Gwendolyn C. Gragg Child Development facility was built in 1996 and serves up to 82 children in Head Start and Early Head Start programs. In an effort to increase services, CCA proposes to make improvements and convert two existing training areas and a break room to allow up to an additional 24 0-3 year old children who will be served in their Early Head Start program.

Staff recommends the execution of a contract agreement with CCA in the amount of \$500,000.00 in CDBG funds, to be paid on a reimbursement basis, to fund the rehabilitation costs of the Project. So long as CCA completes all obligations and complies with all City and CDBG requirements, there will be no repayment of the CDBG funds. The loan term will commence on the date of execution and will expire upon the completion of the 5-year performance period.

In an effort to continue to provide safe, quality, accessible, and affordable child care services in the City of Fort Worth, the scope of work for the Project includes, but is not limited to, the addition of child care space, addition of restrooms, replacement of single pane windows with energy efficient windows, roof repairs, addition of gutter drains, replacement of flooring and rubber base, interior and exterior ADA accessibility improvements, replacement of water heaters, replacement or upgrade of existing fire alarm/suppression, mechanical, electrical, lighting and plumbing fixtures and systems. These items are necessary and were identified as items that need to be addressed for the safety and longevity of the building.

In addition to CDBG funding, the City Council has already committed \$2,000,000.00 from the United States Department of the Treasury through the Coronavirus State and Local Fiscal Recovery Funds (SLFR) Program, a part of the American Rescue Plan Act (ARPA) to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency, to support the Project (M&C 21-0814). The ARPA funds will be provided to the development in the form of a forgivable, subordinate loan on the terms listed below.

Staff recommends the following loan terms:

1. Contract term of two years will commence on the date of execution with the option for one one-year extension;
2. Repayment of the funds in the event of default, and performance of the federal and City requirements will be secured by Deeds of Trust and other loan documents;
3. No interest will be charged on the loans and no repayment will be required unless CCA defaults under the terms of the contracts;

4. Loan term to commence on the date of execution of loan documents and end at the termination of the five-year performance period;
5. Performance period shall begin upon issuance of a Certificate of Occupancy for use of the rehabilitated portion of the facility;
6. Loans will be deferred and forgiven at the end of the five-year performance period if all requirements and terms and conditions of the contract have been met; and
7. ARPA loan to be subordinate to CDBG loan.

Staff recommends that City Council approve amendments to the 2019-2020 Action Plans, and authorize the expenditure of \$500,000.00 in CDBG funds for the Project. A public comment period was held from April 2, 2020 to May 1, 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 eligible families in need of safe, quality, accessible, and affordable child care services in the City of Fort Worth.

By approval of this M&C, the City Council finds that funding this Project will help provide safe, quality, accessible, and affordable child care services to low- to moderate-income families in the City which is vital for working families. The Council further finds that the contract and loan documents provide adequate controls to ensure that the public purpose is carried out. The Project will fulfil the goals under ARPA to provide services to disproportionately impacted communities that promote healthy childhood environments for working families.

The project is located in COUNCIL DISTRICT 8.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations, funds are available in the current operating budget, as appropriated, in the Grants Operating Federal Fund. The Neighborhood Services Department (and Financial Management Services) will be responsible for the collection and deposit of funds due to the City. Prior to an 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