

Mayor and Council Communication

DATE: 05/05/20

M&C FILE NUMBER: M&C 20-0285

LOG NAME: 19CDBG PI PY2019-2020

SUBJECT

Authorize Collection and Use of \$511,623.60 of Community Development Block Grant Program Income and Interest Earnings, Authorize a Substantial Amendment to the City's 2017-2018, 2018-2019, and 2019-2020 Action Plans, Authorize the Substitution of Funding Years, and Adopt Appropriation Ordinance (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

1. Authorize the collection and use of \$481,623.60 of Community Development Block Grant program income resulting from prior years' activities;
2. Authorize the use of \$30,000.00 of estimated interest earnings;
3. Authorize a Substantial Amendment to the City's 2017-2018, 2018-2019, and 2019-2020 Action Plans contingent upon successful completion of the federal public comment period;
4. Authorize the City Manager or his designee to substitute current and prior funding years in order to meet commitment, disbursement and expenditure deadlines for use of grant funds from the United States Department of Housing and Urban Development; and
5. Adopt the attached Appropriation Ordinance for the receipt of \$511,623.80 in Community Development Block Grant program income.

DISCUSSION:

On July 14, 2016, the Fort Worth Housing Finance Corporation (FWHFC) executed a contract with the City for \$2.2 million of Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) for the purchase of 904 E. Weatherford, commonly known as the Airporter property, for a proposed 219-unit multifamily, mixed income housing development in downtown Fort Worth (M&C C-27212, City Secretary Contract No. 47953). A total of \$2,154,302.80 of the CDBG funds were used to acquire the property from the Fort Worth Transportation Authority, and FWHFC executed a note and deed of trust in favor of the City securing FWHFC's performance of the regulatory requirements for the use of the CDBG funds, including the project meeting a CDBG National Objective. FWHFC made a number of attempts to develop affordable housing on the property but no project proved to be financially feasible. Since no CDBG-eligible project was ever developed, federal regulations required FWHFC to sell the property for fair market value since CDBG funds were used for its acquisition. The original amount of CDBG funds used for the property acquisition had to be returned to the City along with any additional net sales proceeds which would be CDBG program income.

On August 27, 2019, the FWHFC Board approved the sale of the property to Stonehawk Capital Partners, LLC for \$2,852,000.00, the fair market value set by a current appraisal. The sale closed on February 26, 2020. Sales proceeds after payment of closing costs were, \$2,838,123.60 with net sales proceeds of \$676,191.65 after repayment to the City of \$2,155,431.95 for the balance of the CDBG loan. The City returned \$2,155,431.95 of the total loan payoff amount received to the City's local account in accordance with HUD's instruction. The difference of \$1,129.15 between the amount received for the CDBG loan payoff and the lesser amount paid to the City's local account is due to the fact that the City originally only drew the lesser amount (\$2,154,302.80) from HUD at the beginning of the project. This adjustment of \$1,129.15 was added to the net sales proceeds of \$676,191.65 returned to the City by FWHFC for a total amount of \$677,320.80 of CDBG program income to be used by the City for CDBG-eligible projects.

After the FWHFC Board determined that the property should be sold, the City Council on August 7, 2018 approved the use of \$2,350,000.00 in anticipated CDBG program income for several CDBG-eligible projects as part of its approval of the City's 2018-2019 Action Plan (M&C G-19328). This program income consisted of \$2.2 million from the future sale of the Airporter property and an additional estimated \$150,000.00 from other CDBG-assisted projects. Some of those projects have since been dropped for various reasons. On January 29, 2019, City Council approved the use of \$1,100,000.00 of CDBG funds for American with Disabilities Act (ADA) improvements to the A.D. Marshall Public Safety & Courts Building (Municipal Court) (M&C C-29005). A total of \$800,000.00 in CDBG funds, \$500,000.00 previously set aside for the Z Boaz South Park Improvement Project (Z Boaz) and \$300,000.00 set aside for the City's 2017-2018 Priority Home Repair Program (PRP), were used for the ADA Municipal Court project. CDBG program income from the sale of the Airporter property will be used to replace the funding for the Z Boaz and PRP projects.

Staff proposes that the \$481,623.60 of CDBG program income that is being appropriated in this M&C, for a total in \$2,831,623.60 in CDBG program income, be used for the projects listed below. The balance in the amount of \$1,031,623.60 will be assigned to unprogrammed funds until eligible CDBG projects are identified.

Original appropriations through the 2018-2019 Action Plan (M&C G-19328):

Project Name	Est. CDBG Program Income Funds
Program Income CFW: Priority Home Repair Program	\$150,000.00

Program Income CFW: Accessibility Improvements: Community Centers & Other Public Facilities	\$800,000.00
Program Income Housing Channel: Lancaster Stratton Apts. Multifamily Rehabilitation	\$500,000.00
Program Income: Sheraton Drive Water/Sewer Installation for Infill Single Family Housing Development	\$400,000.00
Neighborhood Services Department: Community Facility for Early Childhood Education	\$500,000.00
TOTAL	\$2,350,000.00

Revised appropriations:

Project Name/Description	2019/2020 CDBG Program Income Funds Received
Substitution of Funds: 2017-2018 Priority Repair Program (All Council Districts)	\$150,000.00
2018-2019 Priority Repair Program (All Council Districts)	\$150,000.00
Sheraton Drive Infrastructure Improvement Project - Water/Sewer Improvements to support infill development on Sheraton Drive (Council District 5)	\$400,000.00
Gwendolyn C. Gragg Child Development Facility Improvement Project - Rehabilitation of a community center facility located at 2400 E. 1st Street, which is focused on early childhood education. (Council District 8)	\$500,000.00
2019-2020 Unprogrammed Funds	\$1,131,623.60
TOTAL	\$2,831,623.60

The revised appropriation recommendations have been approved by the City's Community Development Council. The use of the unprogrammed funds will be committed through a Notice of Funding Availability put out by the Neighborhood Services Department which is underway and will be approved in August 2020 through the City's 2020-2021 Annual Action Plan M&C.

Public comment periods will be held on any Substantial Amendment to the City's 2017-2018, 2018-2019, and 2019-2020 Action Plans once projects have been identified. Any comments are maintained by the Neighborhood Services Department in accordance with federal regulations. The Action Plan funding years may vary and be substituted in order to expend oldest grant funds first. The funds may be used for any CDBG-eligible costs related to projects on behalf of low- and moderate-income residents.

These projects are located in ALL COUNCIL DISTRICTS.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations, and adoption of the attached appropriation ordinance, funds will be available in the current operating budget, as appropriated in the Grants Operating Federal Fund. Neighborhood Services will be responsible for the collection and deposit of funds due to the City. Prior to expenditures being incurred, Neighborhood Services has the responsibility to validate the availability of funds. This is a reimbursement grant.

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