



TO: Mayor Shaun Sipma
Members of the City Council

FROM: John R. Zakian, DR Grant Program Manager & Chief Resilience Officer

DATE: May 12, 2021

SUBJECT: REPORT ON 1901 SOUTH BROADWAY (BROADWAY CIRCLE LMI HOUSING/FAMILY HOMELESS SHELTER PROJECT)

I. RECOMMENDED ACTION

No Action Needed or Recommended

II. DEPARTMENT CONTACT PERSONS

John R. Zakian, DR Program Manager & Chief Resilience Officer, 420-4528

III. DESCRIPTION

A. Background

The Receiver for Lutheran Social Services North Dakota has received approval from the court to transfer ownership of the property at 1901 South Broadway to the City. When the City Council approved the termination agreement with Lighthouse Management which is the Receiver which would result in the request for court approval, it was asked that upon court approval of the land transfer to the City that the City Council be provided with information on the practicality of selling the site and seeking a new location for the LMI Housing/Family Homeless Shelter Project.

The following details are provided in conjunction with that request:

- The purchase price funded through CDBG-NDR for the site was \$1,376,338.15
- Lighthouse Management has provided the City with vendor bills connected to the project which total \$374,194.62
- City Assessor has placed the value of 1901 South Broadway for 2021 at \$1,558,000
- Total obligations based on known outstanding billings and purchase price is \$1,750,532.77
- If the site were to be sold, then \$300,000 of the purchase price would have to be refunded to the State since it contributed these funds through its CDBG program and the terms of the grant were site specific in support of the LMI rental housing portion of the project
- Of the \$374,194.62 known outstanding billing associated with the project, \$223,000 is for architectural designs and construction specs for the project which means that if an alternate site were to be pursued it would have to be configured to be able to use these designs and specs

Based on the above information, it is not feasible or practical to pursue any alternative but to continue on the existing site especially since known costs exceed current value of the site by \$192,000, and for HUD to even consider accepting the City sell this site it would be necessary to cover all costs associated specific to the site. Additionally, since designs and

construction specifications have been significantly completed for the current location, it would be extremely challenging to locate another site which can be configured to handle the design.

Also, while CDBG-NDR funds are not eligible for use for operating costs of the Family Homeless Shelter, it is a condition of the sub-recipient agreement that the nonprofit demonstrate the financial wherewithal to meet financial obligations for operating the Family Homeless Shelter. The attractiveness of the current site is that there is a rent paying tenant (a restaurant) and income from that rent was being factored into revenue to meet operating costs all of which was compliant with HUD Program Income rules. It is reasonably presumed that the nonprofit which takes over the project will also want this income stream as part of its revenue to meet Family Homeless Shelter operating costs.

B. Proposed Project

No action is needed or recommended by the City Council at this juncture based on the above analysis. The next step will be for the DR Program Manager to reach out and meet with each of the nonprofits interested in assuming the project, and make a determination as to which nonprofit is best suited to take on the role. The new sub-recipient agreement which is negotiated with that nonprofit will be presented to the City Council for approval. Please note that under federal rules, when utilizing a sub-recipient agreement with a non-profit a competitive RFP or bid process is not allowed but, rather, informal discussions and negotiations is the process to be used.

IV. IMPACT:

A. Strategic Impact:

Implementation of the Family Homeless Shelter project was a requirement of HUD before it would consider and approve a waiver for use of CDBG-NDR funds for relocation of City Hall, and while the shutdown of Lutheran Social Services of North Dakota was unforeseen and completely beyond the control of the City, it is necessary for the City to pursue with all reasoned deliberate speed to resume the project.

B. Service/Delivery Impact:

While the City has received a one year deadline extension for the CDBG-NDR funds, with the complexity and uniqueness of this project, it is prudent to move forward as expeditiously as possible.

C. Fiscal Impact:

No change from previously approved CDBG-NDR fund allocation

V. ALTERNATIVES

N/A

VI. TIME CONSTRAINTS

NA

VII. LIST OF ATTACHMENT