



TO: Mayor Shaun Sipma
Members of the City Council

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

DATE: July 26, 2021

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

I. DEPARTMENT CONTACT PERSONS

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

II. DESCRIPTION

A. Background

Upon City Council approving conveyance of land at 1901 South Broadway known as the Broadway Circle project, it was requested once a new non-project sub-recipient agreement was ready for approval by the City Council that an assessment be presented on the feasibility of selling 1901 South Broadway and seeking a new site for Broadway Circle.

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 bills which have been paid connected to the project and purchase price is \$1,756,000.
- If the site were to be sold, then \$300,000 of the purchase price would have to 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
- Included in the bills paid associated with the site are the design and construction specifications for both the Family Homeless Shelter and the 17 Unit LMI rental housing project based on the unique configuration of the site.
- This means that any consideration of sale of the site and seeking a new location would require that sale price cover the full \$1,756,000 since all the work performed and paid on the site would not be transferable to another location
- Consideration also has to be given that it was the non-profit sub-recipient, Lutheran Social Services Housing, Inc. and not the City which identified the site, undertook the required necessary and reasonable analysis to justify the purchase, and carried out the purchase. All the City did was provide most of the funds for the purchase price. This option was followed because the steps for voluntary acquisition by a sub-recipient are not as onerous and time consuming as would be required by the City.

- If the option were to be pursued to sell 1901 South Broadway and seek an additional site, a decision would have to be made whether the entire process would be done by the City or by the sub-recipient or a combination of the City selling current site and having sub-recipient identify and purchase an acceptable alternative site after the current site was sold. Keep in mind that a similar but more straightforward voluntary acquisition process was the Wells Fargo Building to move City Hall and that was a 6-month process. Also, keep in mind that if this process were to be undertaken, then HUD and EPA rules would require the City to start from scratch to undertake a new environmental review for a new site.

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, the time that would be consumed between selling the existing site and the process entailed in obtaining a new alternative site would put the project at high risk of not being completed on a timely basis to meet the September 30, 2023 deadline.

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.

B. Proposed Project

Therefore, it is recommended that the City Council approve the two sub-recipient agreements with Project BEE on the site at 1901 South Broadway.