

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: January 22, 2008

To: Council Member Lisa Goodman, Chair, Community Development Committee

SUBJECT: Funding Proposal for Remaining \$417,480 of 2007 Emergency Shelter Grant (ESG) Money

Recommendation: Approve the following 2007 Emergency Shelter Grants totaling \$417,480:

- 1) Up to \$65,000 for Incarnation House located at 2xxx Clinton Avenue South by The Wayside House, Inc.;
- 2) Up to \$234,073 for the Bridge Center Emergency Services Building Improvement project located at 2xxx Emerson Avenue South by The Bridge for Runaway Youth, Inc.; and
- 3) Up to \$118,407 for Exodus Hotel (also known as Exodus Residence) located at 8xx Second Avenue South by Catholic Charities.

Previous Directives: 1) In November 2007, the City Council approved up to \$150,000 of 2007 ESG funds for Our Savior's Housing leaving a balance of \$417,480 of 2007 ESG funds to be committed; 2) In November 2004, the Council approved up to \$185,000 AHTF CDBG funds for Incarnation House; 3) In September 2004, the Council approved up to \$283,000 of 2004 ESG funds for Exodus Hotel; and 4) In December 2003, the Council approved up to \$84,500 of ESG/Family Housing Funds for Harbor Light.

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Approved by: Charles T. Lutz, Deputy Executive Director _____

Presenter in Committee: Donna Wiemann

Reviews

- Permanent Review Committee (PRC): Approval ___ Date _____ NA
- Policy Review Group (PRG): Approval ___ Date _____ NA

Financial Impact

- X No financial impact

Community Impact

- Neighborhood Notification: The recommended projects will be reviewed by the official neighborhood organization for the neighborhood in which the project is located.
- City Goals: In five years all Minneapolis residents will have a better quality of life and have access to housing and services.
- Sustainability Targets: Special Needs Housing – Rehabilitation
- Comprehensive Plan: Minneapolis will reasonably accommodate the housing needs of all its citizens.
- Zoning Code: The recommended projects are in conformance with the zoning code.

Supporting Information

The City of Minneapolis receives annual federal Emergency Shelter Grant (ESG) Program funds that may be used for variety of purposes including the major rehabilitation or renovation of existing buildings for either emergency shelters or transitional housing facilities for persons experiencing homelessness. The Fiscal Year (FY) 2007 ESG Program year is from June 1, 2007 to May 31, 2008. The ESG Program deadlines require that the funds must be obligated within 180 days of grant award and spent within two years of grant award.

The City was awarded \$597,347 of FY 2007 ESG funds. Five (5) percent of this amount is \$29,867 and will be used for City staff administrative costs and the balance of funds, \$567,480, will be used for program activities.

In June 2007, staff issued a Request for Proposals (RFP) for the FY 2007 ESG funds and in November 2007, the Council approved up to \$150,000 for Our Savior's Housing located at 2xxx Chicago Avenue. CPED staff issued a second RFP for the remaining \$417,480 of FY 2007 ESG funds in December 2007 and received five proposals.

Staff's review of the five proposals included the following elements:

1. An inspection of the property to determine the need for the proposed work and assess if additional capital work is needed. Staff evaluates whether or not the proposed cost estimates are realistic. Projects incorporating green/sustainable elements are given priority consideration.
2. Coordination with CPED Planning about zoning compliance and information about conditional use permits needs, variance needs, and other applicable land use regulatory issues.
3. Determination of project eligibility and adherence to federal ESG requirements.
4. Projects that leverage other funding sources to help cover the estimated development costs and an assessment of organization's potential to raise these funds are given priority consideration.
5. The organization's long-term operating capacity.

6. Analyze project readiness in terms of closing, securing the bids, raising the balance of the funds, starting and completing the construction work, all contributing to the likelihood that the ESG money will be spent by May 31, 2009.
7. Meets the federal rule of participation of one person who is either experiencing homelessness or has experienced homelessness in a policy making function within the organization.

An external review committee, CPED Housing staff, and CPED Construction Management staff evaluated each proposal. The external review committee membership includes representatives from Minnesota Housing, the Family Housing Fund, Hennepin County HRA, Hennepin County social services, and the City's Grants Office.

Attached are the project data worksheets (in the same order as the projects are listed below) with more information about each proposal. The five funding requests and staff funding recommendations are as follows:

1. Incarnation House: The Wayside House requests \$65,000 for project repairs at 2xxx Clinton Avenue South. Staff recommends up to \$65,000 of 2007 ESG funds.

Incarnation House provides up to one year of 24 hour supervised housing for mothers in recovery and their children. The proposed work includes replacement/repair of security system, interior painting, kitchen cabinet replacement, new pantry shelving, new kitchen countertops, new carpeting, a new walk-in freezer, and a new hot water heater.

The lack of an operating security system is creating a safety issue for the residents. CPED staff states that the proposed work is needed and notes that the property is well maintained. The City provided \$185,000 of AHTF CDBG funds to the project in 2004 for accessibility modifications, fire system improvements, and a new heating system; the work was successfully completed. A lead paint risk assessment was done at that time and the lead paint rules were followed.

2. Bridge Center Emergency Services Building Improvements project: The Bridge for Runaway Youth requests \$299,073 for project repairs at 2xxx Emerson Avenue South. Staff is recommending up to \$234,073 of 2007 ESG funds, a \$65,000 difference from the requested amount.

This project provides emergency shelter for 18 youth (ages 14 to 21) a night who are experiencing homelessness. The typical stay is three to five days. The proposed work includes, but is not limited to, new windows, new floor coverings, remodeling and repairing bathrooms, interior painting, upgrade electrical lighting, replace 18 lockers, install new roof, replace downspouts and gutters, and remediate problems with sanitary sewer system.

Based upon CPED property inspection, the proposed work is needed, however, staff was not able to visually confirm that a new roof is needed due to winter conditions. There are no City records, however, showing that permits have ever

been pulled for any roof work. A lead paint risk assessment may be needed to comply with the ESG rules; however, given the short time of residency, this matter will be discussed with HUD in greater detail. The Bridge has secured \$25,000 McKnight funds for the project renovation; the ESG RFP states that funds leveraged for the proposed development is a priority consideration.

The proposed work scope includes space planning and furniture for the bedrooms, counseling office, and common areas and estimates the cost to be \$65,000. Given the high competition for the 2007 ESG funds, staff is not recommending using ESG funds for furniture costs (although an eligible ESG expense) or for space planning (eligibility under the ESG program is unknown by staff at this time).

3. Exodus Hotel (also known as Exodus Residence): Catholic Charities requests \$185,000 for project repairs at 8xx Second Avenue South. Staff recommends up to \$118,407 of 2007 ESG funding be approved, a difference of \$66,593 from the amount requested.

Catholic Charities provides 93 units for single adults; it is a transitional housing project with support services for persons who are homeless or have experienced homelessness. The proposed work includes, but is not limited to, roof replacement, replacement of electrical wiring, removal of dumbwaiter, replacement of old walk-in cooler, new carpet in computer lab, and tuck pointing and mortar repair on west side of building.

Based on CPED project inspection, the proposed work is needed, however, staff could not visually confirm the need for a new roof given winter conditions. However, the age of the roof is at least 25 years old and there is evidence of leaking. CPED construction staff proposes additional research to ensure that the water leak problem will be corrected by replacing the roof and will work with Catholic Charities on this issue.

Although the recommended ESG amount is less than the amount requested, CPED and Catholic Charities will work jointly to further refine the scope of work, the project will be competitively bid, and other sources may be identified. If needed, Catholic Charities may apply for additional funds from the FY 2008 ESG RFP to be issued in April/May 2008.

In 2004 the Council approved up to \$283,000 of 2004 ESG funds for this project and the funds were used for energy efficient windows and security equipment. This work was successfully completed. A lead paint risk assessment was done at that time and lead paint rules were followed.

4. Anpa Waste' Housing: Greater Minneapolis Council of Churches Division of Indian Work request \$22,500 for project repairs at 3xxx 10th Avenue South. Staff is not recommending 2007 ESG funding for this project.

CPED staff inspected the property and believes the proposed scope of work is incomplete. The property has many maintenance issues and the requested repairs are more routine items. In addition, a lead paint risk assessment is needed if ESG funds are provided to the project. Staff recommends that a more

thorough project assessment be done to determine all of the actual needs (including lead paint) and CPED staff will work with the owner on preparing the development budget. This effort will put the project applicant in a better position to apply for the City's FY 2008 ESG RFP funding to be issued in April/May 2008.

5. Harbor Light: The Salvation Army requests \$280,404 for replacement of windows at 1xxx Currie Avenue North. Staff is not recommending 2007 ESG funding.

The project provides emergency shelter and transitional housing with support services for up to 250 people a night. The window replacement work would accomplish the last phase of The Salvation Army's energy revitalization project; the earlier phases undertaken in 2005 and 2006 involved upgrades to heating, cooling, and lighting. Prior to that, the Council approved up to \$84,500 of 2003 ESG/Family Housing Fund funds for bathroom renovations on the first, second, and third floors of the building; the work was successfully completed with Family Housing Fund money.

Based on CPED staff property inspection, it was determined that the first floor windows were not included in the bid and the actual number of windows will range from 245 to 250 instead of 211. CPED staff estimate that the actual cost (including the first floor windows) will range from \$350,000 to \$500,000.

HUD has advised that ESG funds may be used for work related to the first, second, third, and fifth floors and a portion of the sixth floor at Harbor Light. Because the type of housing program provided on the fourth floor is not ESG eligible, ESG funds may not be used for work on this floor. The Salvation Army knew about this ineligibility issue and their 211 window count did not include the fourth floor windows. The applicant will need to identify a funding source for replacement of the windows on the fourth floor and for that portion of the sixth floor work which relates to the fourth floor activities.

Based upon the updated information, the project applicant will be in a better position to apply for the City's FY 2008 ESG funding cycle to be issued in April/May 2008.

CPED staff will issue the Request for Proposals for the Fiscal Year 2008 ESG funds in April/May 2008 and proposals will be due in June/July 2008. It is expected that funding recommendations about the FY 2008 ESG money will be made in August/September 2008. The upcoming RFP will provide an opportunity for applicants whose projects are not being recommended for full or any funding at this time to reapply. The applicants will have time to work with CPED staff to establish the full need of repairs, prepare a full budget, identify other possible funding sources, and undertake any other actions that may strengthen their applications.