TO: Mayor and City Council

SUBJECT: CARES Act Funding Allocation

INITIATED BY: Housing and Community Services Department

AGENDA: New Business

Recommendation: Approve the funding recommendation, authorize the funding agreements and necessary signatures.

Background: Wichita is recognized as an entitlement city by the U.S. Department of Housing and Urban Development (HUD). This designation is based on a federal formula, which considers total population, the number of persons below the poverty level, the number of overcrowded housing units, the age of housing and the population growth lag. Specific entitlement funding sources covered by the Consolidated Plan include the Community Development Block Grant program (CDBG) and the Emergency Solutions Grant program (ESG).

As a result of passage of the Coronavirus Aid, Relief and Economic Security Act, (CARES Act), the City will receive a second round of CARES Act CDBG (CDBG-CV) funding, in the amount of $1,943,527, in addition to previously awarded CDBG-CV funding in the amount of $1,725,897, for a total of $3,669,424. CDBG-CV funding must be used to prevent, prepare for, and respond to the coronavirus (COVID-19) public health emergency. The City has also received a total of $3,301,120 in additional ESG funding, as a result of passage of the CARES Act. CARES Act ESG (ESG-CV) must be utilized to prevent, prepare for, and respond to the COVID-19 public health emergency, among individuals and families who are homeless or receiving homeless assistance; and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts of COVID-19.

To date, a total of $751,399 in CDBG-CV funding has been obligated for domestic violence shelter, youth enrichment, enhanced internet access, food box delivery, outreach, and administration activities. A total of $1,509,623 in ESG-CV funding has been obligated for motel vouchers, shelter support outreach, internships, caseworkers, landlord incentives and administration activities. The Housing and Community Services Department (HCSD Staff) has sought a project to leverage resources for immediate response to COVID-19, while providing a long-term asset in the City’s fight against homelessness. Further, HUD has provided a series of regulatory waivers and flexibility to assist grantees in rapidly responding to COVID-19.

Analysis: Intrust Bank representatives recently approached HCSD staff regarding the sales listing of the 316 Hotel, which is located at 1011 N. Topeka. The hotel building was constructed in 1998, and consists of a total of 23,016 square feet, including 56 rooms and common areas. The site is zoned Limited Commercial, which permits emergency shelter and multi-family housing uses. The 316 Hotel building is currently owned by ADMJM WK1, LLC, a Kansas Limited Liability Company, subject to a ground lease held by Via Christi Hospitals, Inc. (Via Christi).

On September 21, 2020, HCSD staff met with all of the City’s permanent supportive housing providers to discuss the possibility of acquiring the 316 Hotel for use as a winter shelter and conversion to permanent supportive housing for individuals experiencing homelessness. One organization, HumanKind Ministries, Wichita, Inc. (HumanKind), expressed interest in exploring the opportunity. HumanKind was originally
established in 1885 as the Wichita Ministerial Alliance, to help those in need in the community. The organization was renamed Interfaith Ministries of Wichita in the 1970’s. In 2019, the organization was renamed HumanKind Ministries, embracing communities of all kinds in the work to help the homeless, those living in poverty, and the vulnerable in the community.

HumanKind provides both emergency shelter and permanent supportive housing within 10 existing properties. The organization’s proximity to the 316 Hotel site provides economies of scale for property management and maintenance.

HumanKind proposes to purchase the 316 Hotel, subject to the existing ground lease for use as a 24-hour women’s overflow winter shelter to expand non-congregate shelter during the COVID-19 public health emergency, and then reposition the facility as permanent housing as a long-term asset to expand housing resources for the homeless population in Sedgwick County. During the period of time that the building serves as a shelter, renovations will commence in order to convert the building into permanent supportive housing so the lease-up operations can begin on or about July 1, 2021. Renovation plans include replacement of the heating, ventilation and air conditioning system, electrical upgrades including a security system, replacement of plumbing fixtures, fire protection repair, the addition of kitchenettes to each of the hotel rooms, improvement of common areas and community space, parking lot upgrades, addition of a trash enclosure, and addition of office space to accommodate on-site management and the provision of case management and supportive services. Upon completion, a total of 56 studio apartment units will be available for qualifying homeless individuals. HumanKind will provide supportive services for the tenants, and will employ on-site property management and security patrols. The organization can apply to the Wichita Housing Authority for a Project Based Voucher rent assistance contract with a term of up to 20 years, to provide Section 8 rent assistance for residents and generate long-term operational income for the project. Monthly rent amounts will not exceed payment standards established for the City’s HCV program, approximately $600 per month.

HumanKind has requested funding from the City in the amount of $4,076,000 for the proposed project, to include purchase of the building subject to the existing ground lease, renovation costs, and operating support for a period of two years. The organization has also requested funding in the amount of $194,905 for operational support, for the emergency overflow winter shelter services to be provided. A total of 75-100 individuals (unduplicated) are anticipated to be provided with shelter services for a period of approximately six months. Staff recommends funding the requested amounts.

The proposed project is consistent with the City’s Comprehensive Housing Policy, specifically, the components related to affordability and availability. The project to be undertaken will also be in accordance with the departmental goal to increase the supply of housing in order to maintain affordability for residents earning 80 percent or less of the area median income. The area median income is currently $72,625, for a family of four.

Financial Considerations: The total project cost for the multi-family component is estimated to be $4,276,000, which includes $2,610,000 in acquisition costs, $1,600,000 in rehabilitation costs, and operating support for a period of two years, in the total amount of $66,000. The project also includes $2,000,000 of City funding available in a project account, $2,076,000 of City of Wichita CDBG-CV funding, and donations to be solicited by HumanKind, in the amount of $200,000.

City of Wichita CDBG-CV and project funding will be provided in the form of an interest-free deferred payment loan secured by a leasehold mortgage on the real property, and will be forgiven after a period of 15 years from the date that multi-family housing operations begin, provided the building use does not change and the building is not sold prior to the end of the 15-year period. City of Wichita ESG-CV funding in the amount of $194,905 is to be provided for the winter overflow shelter component, through June 30, 2020, in the form of a grant.

Via Christi has agreed to amend the ground lease in order to provide for an annual rent amount of $1 per year, to be paid by HumanKind.
Legal Considerations: All funding agreements will be approved as to form by the Law Department.

Recommendation/Actions: It is recommended that the City Council approve the funding recommendation, and authorize the funding agreements and necessary signatures.

Attachments:
Funding Agreements