



AGENCY: City Council
MEETING DATE: Jan. 12, 2015
DEPARTMENT: Community Devel.
PRESENTED BY: J. Owen

AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT, CONDUCT PUBLIC HEARING, AND CONSIDER ADOPTION OF CITY COUNCIL RESOLUTION APPROVING USE OF FUNDING FROM THE 2014 COMMUNITY DEVELOPMENT BLOCK GRANT FOR A PUBLIC FACILITY ACQUISITION AND REHABILITATION PROJECT ON BEHALF OF THE MENDOCINO COAST HOSPITALITY CENTER TO BE LOCATED AT 101 NORTH FRANKLIN STREET

ISSUE:

On March 24, 2014, City Council adopted a Resolution approving a 2014 application for CDBG funding. The authorizing Resolution No. 3697-2014 specified an address for a Public Facility Acquisition and Rehabilitation activity on behalf of the Mendocino Coast Hospitality Center. The City received notification on October 7, 2014, that the 2014 grant was awarded. Between the time the application was submitted and awarded, the originally proposed location for the public facility (300 North Harrison Street) was rejected by Mendocino Coast Hospitality Center and, recently, an alternative location was secured at 101 North Franklin Street. Because a location was specified in the original authorizing Resolution, a new public hearing must be held disclosing the new proposed location, and a new Resolution must be submitted prior to implementation of the activity at the new location.

RECOMMENDED ACTION:

Adopt City Council Resolution Approving Use of Funding from the 2014 Community Development Block Grant for a Public Facility Acquisition and Rehabilitation Project on Behalf of the Mendocino Coast Hospitality Center to be Located at 101 North Franklin Street.

ALTERNATIVE ACTION(S):

If the resolution is not adopted, the activity would not proceed. Funding of \$1,162,791 awarded for this activity would be released to the state. In addition, because disencumbered funding does not count as expended funding for the CDBG "50% expenditure" rule, the City would likely be ineligible to apply for CDBG funding until at least 2017.

ANALYSIS:

On February 24, 2014, staff received direction from City Council to prepare a 2014 CDBG application to include various activities including a public facility project on behalf of Mendocino Coast Hospitality Center (MCHC). The identified project was acquisition and rehabilitation of a facility located at 300 North Harrison Street for use as a homeless and mental health services center, offices, and transitional housing. On March 24, 2014, City Council adopted a City Council Resolution approving a 2014 CDBG application for several activities including the MCHC project at 300 North Harrison Street. After the application was submitted, and prior to grant award, the original project location was rejected. As expected and as discussed at the February 2014 and March 2014 City council meetings, City staff has received confirmation from CDBG that a different location may be substituted if the general uses and beneficiaries as described in the original grant

application are still applicable to a new location. Final approval of a new location would be reviewed as part of grant Special Conditions clearance tasks.

For the past eight months since the original location was rejected, MCHC has actively searched for a suitable location for the homeless services facility. At least 20 different properties were considered and reviewed for factors including comparability and fit with the grant application proposed uses; affordability; suitable zoning; neighborhood considerations; tenant status and potential relocation costs; availability of parking; and facility "readiness" and rehabilitation needs. MCHC utilized the pro bono services of a licensed real estate professional, and City planning staff was consulted to confirm eligible property uses.

In November, MCHC was informed that the owners of the Old Coast Hotel at 101 North Franklin Street would consider selling the property to MCHC at a significant discount to make the property affordable with available grant funds. Since that time, owners Thomas and Nina Carine have signed an Option to Purchase Agreement giving MCHC the exclusive option to purchase the property for \$900,000, with the Carines donating the balance of the property's appraised value. The final appraisal is not complete, but the original list price of the property was \$2.9 million, so the donation is significant. The purchase price of \$900,000 leaves adequate funding within the grant allowance for the minimal interior rehabilitation activities that would be necessary and for closing costs of the purchase.

The Old Coast Hotel is a lovely and unique City landmark that has been on the real estate market for several years. It was last fully occupied as a hotel, restaurant and bar at least five years ago, and some rooms were rented as recently as three years ago. Otherwise it has been unoccupied and underutilized except for one office space on the Oak Street frontage that is leased to a non-profit tenant. The Old Coast Hotel is located at the southern boundary of the Central Business District. Its zoning allows a residential component mixed use project, with residential use allowed only on the second or upper floors. The proposed use of the facility for the MCHC Wellness Center, mental health services, and transitional housing is a "permitted use" in the Central Business District so a use permit is not required.

The generosity of the Carines that makes the Old Coast Hotel an affordable location offers an unexpected opportunity to house homeless and mental health activities at one location with minimal impact on surrounding neighborhood uses. There is ample room for activities as proposed in the CDBG grant application, which include the MCHC Wellness Center, case management offices, and administrative offices; mental health access center and offices for services provided through Ortner Management Group; and at least five units of transitional housing.

In addition to the five transitional housing units proposed in the grant application, the property provides six more residential units that could be used for mental health or homeless transitional housing; and/or for the new "housing first" model currently promoted by HUD. Additionally, one unit could be designated for a residential property supervisor to ensure after-hours security. Downstairs, in addition to space for offices and services as described in the grant application, there is adequate space to provide an array of future uses. Because the commercial kitchen is included in the purchase, a vocational training program to include cooking, food safety, and food service could be implemented. Additional space could provide a computer lab to provide training to homeless clients. MCHC is not immediately able to offer these services, but the availability of appropriate space provides opportunities to secure program funding.

MCHC has no plans or need to change the exterior of the facility. Interior changes would be minimal and would primarily involve temporary partitioning to provide adequate office space and client privacy.

FISCAL IMPACT:

A location substitution does not impact the awarded CDBG grant funds. Grant funds are available, subject to successful clearance of grant Special Conditions, for acquisition and rehabilitation to a maximum of \$1,162,791. If the proposed location is not approved, MCHC would continue to seek a new property location. However, if a new location is not secured such that grant funds are expended before the next CDBG grant cycle, the City will be unable to meet the CDBG "50% expenditure rule" and will be precluded from applying as planned in the 2016 grant cycle. If a new location is not secured within the grant expenditure term, the grant funds would be forfeited. The proposed location currently houses one commercial (non-profit) tenant. Relocation of the tenant must occur pursuant to Federal and state regulations. Relocation costs, including relocation specialist consultation and actual tenant relocation costs, are allowable as part of grant Activity Delivery funding.

CONSISTENCY:

The proposed use is consistent with the Inland Land Use and Development Code, Section 18.22.060.B, which allows residential component mixed use only on second or upper floors.

IMPLEMENTATION/TIMEFRAMES:

If the proposed location is approved, staff will submit the authorizing resolution to CDBG along with a letter stating reasons for the location switch and affirming comparable uses of the proposed location as compared to the location described in the original grant application. These documents will be submitted along with other grant Special Conditions clearance items, once the 2014 grant agreement is executed. Staff expects that, if the proposed 101 North Franklin Street location is approved, escrow could be opened by March 15, 2014.

ATTACHMENTS:

1. Resolution Approving Use of Funding from the 2014 Community Development Block Grant for a Public Facilities Acquisition and Rehabilitation Project on Behalf of Mendocino Coast Hospitality Center to be Located at 101 North Franklin Street.
2. Public Hearing notice
3. Letters of Support
4. Letters of Opposition

NOTIFICATION:

1. Anna Shaw, Mendocino Coast Hospitality Center
2. Mark Montgomery, Ortner Management Group

City Clerk's Office Use Only

Agency Action	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied	<input type="checkbox"/> Approved as Amended
Resolution No.:	_____	Ordinance No.:	_____
Moved by:	_____	Seconded by:	_____
Vote:	_____		
<input type="checkbox"/> Deferred/Continued to meeting of:	_____		
<input type="checkbox"/> Referred to:	_____		