



# MEMORANDUM

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**TO:** Members of the Finance Committee

**FROM:** Rich Olson, City Manager

**DATE:** September 3, 2014

**REF:** Discussion – Disposition of 709 Herrington Road Property

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***BACKGROUND:***

During the City Council meeting of August 25, 2014, Councilman Horton requested that City staff place on the next City Council meeting a discussion concerning the homeless shelter located at 709 Herrington Road. The City Council has discussed this matter during the Council meetings held on February 24, 2014 and October 28, 2013, as well as the Work Session held on November 25, 2013.

To refresh your memory, a Request for Proposals for Service Delivery and Management of the 709 Herrington Road site was advertised in the Sunday, November 3, 2013 edition of *The Daily Advance*. No proposals were received, although one inquiry regarding operation of the shelter was received by City staff.

Due to CDBG funds being utilized for the purchase of the facility, a Subrecipient Agreement would be required of any subsequent group wishing to operate the shelter. The Subrecipient Agreement would require a public hearing.

Upon staff's inspection of the facility, it was determined that approximately \$16,500 in expenses will be required for new carpet, paint, and other basic repairs before the shelter can be reopened. In addition, several months ago, the HVAC unit was vandalized for the copper and will take an additional \$5,000 to repair.

The shelter will be required to have staff members operating the facility 24 hours a day, 7 days a week. A minimum of 3.5 full time staff members and one part time staff member would be needed, working eight-hour rotating shifts daily. Vacation time, sick leave, etc. has not been factored into the minimum staffing requirements. It is estimated that staff salaries with benefit package is

approximately \$100,100 with one part time staff member and three full time staff members. The City will be required to pay its employees' salaries based upon Federal Law; therefore, the cost of staffing is more than double the cost for a private 501c3 organization, which is not held to the same standards. Staff members would be requested to have an array of educational backgrounds, including nursing, counseling, therapists, and substance abuse.

The Garden of Hope House closed in September 2013 due to a lack of funding. Since that period of time, the shelter has been vacant and has served no purpose. City staff winterized the facility in November and we continue to mow and check on the property weekly.

Since CDBG funds were used to purchase the property and the shelter has not been used for a year, the City Council needs to determine the future of the property.

The City has made multiple attempts to find a 501c3 to operate the facility and several members of the City Council have tried to find an operator for the City but to no avail.

**FINANCIAL:**

Staff previously presented a proposed one year operational budget for the shelter that compares expenses for a City-operated facility and a facility operated by a 501c3 non-profit organization, which follows:

	<b>Proposed One Year Operational Budget Expenses</b>	
	<b><u>City Operated</u></b>	<b><u>501c3 Operated</u></b>
Utilities	\$3,000	\$3,000
Heating Gas/Oil	\$4,000	\$4,000
Professional Fees	\$1,000	\$1,000
Computer Repairs	\$500	\$500
Fund Raising	\$0	\$2,000
Salaries/Payroll Taxes	\$100,100	\$30,000
Building	\$2,500	\$2,500
Grounds	\$1,000	\$1,000
Janitorial Supplies	\$500	\$500
Pest Control	\$1,200	\$1,200
Office Supplies	\$2,500	\$2,500
Privilege License	\$0	\$100
Office Equipment Repairs	\$500	\$500
Postage	\$1,000	\$1,000
Seminars/Education	\$1,000	\$500
Travel Expense	\$0	\$500
Mileage Reimbursement	\$0	\$2,000
Food Bank of the Albemarle	\$500	\$500
Building Ins/Worker's Comp.	\$4,500	\$3,200
Director/Officer Insurance	\$1,000	\$1,000
Meals/Entertainment	\$500	\$500
Cable/Internet	\$1,000	\$1,000
<b>Totals:</b>	<b>\$126,300</b>	<b>\$59,000</b>

In addition, staff contacted seven large cities throughout the state concerning their participation in operating a "City Homeless Shelter". We could not find a jurisdiction that directly operated the shelter, but most indicated that they contributed funds to other organizations as financial assistance.

The City has been advised by Community Investment that any funds acquired from the sale of the property must be utilized to assist individuals of low to moderate income within the City.

City staff's recommendation to the Finance Committee during their meeting of November 20, 2013 included having the property appraised and the Council adopting a resolution declaring the property surplus with the intention of pursuing a sale of the property in order to use the proceeds for the Middle School project. The City Council decided to utilize our reserve account to fund the improvement to the Middle School project.

The Finance Committee felt it was appropriate to winterize the home to prevent damage during cold weather in order to provide additional time (until January 2014) for public response to the advertisement and RFP.

The Finance Committee discussed this matter during their meeting of February 20, 2014 and recommended approval of the following staff recommendation; however, the Council decided to postpone action in hopes that a non-profit organization would step forward. This has not occurred. The City needs to take action of this matter in order to meet Community Investment requirements.

**STAFF RECOMMENDATION:**

***The following remain staff's recommendations for action by the City Council:***

- A. By motion, adopt a resolution:
  - 1. Declaring the property surplus to the needs of the City of Elizabeth City; and further
  - 2. Directing the City Manager to determine the market value of the property by appraisal; and further
  - 3. Causing a notice to be published soliciting bids for the sale of the property pursuant to NCGS §160A-269 (the upset bid process).
  
- B. By motion:
  - 1. Direct that, once the requirements of the upset bid process have been met, staff is to bring the proposed sale back to the City Council to authorize the transaction; and further
  - 2. Direct that proceeds from the sale of this parcel be used for activities that benefit low and moderate income individuals.

RCO/vdw

