

# HENNEPIN COUNTY

## MINNESOTA

### Board Action Request 20-0369

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#### Item Description:

Allocate \$2,650,000 CARES Act to provide alternative living accommodations for homeless individuals and county-dependent individuals impacted by the COVID-19 pandemic; authorize transfer of \$2,650,000 CARES Act funds to HCHRA for acquisition of property

#### Resolution:

BE IT RESOLVED, that the Hennepin County Board of Commissioners hereby allocates \$2,650,000 of its federal funding from the Coronavirus Relief Fund available under section 601(a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to acquire property during the period October 1, 2020 through December 30, 2020 in order to provide increased capacity of alternative living spaces for homeless individuals and county-dependent individuals impacted by the COVID-19 pandemic; and that the Controller be authorized to accept, transfer and disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Hennepin County Housing and Redevelopment Authority is requested to negotiate a Purchase Agreement with FAHMIDA Hospitality Group, LLC for the purchase of property located at 5637 Lyndale Avenue South, Minneapolis (PID 22-028-24-23-0036), for the purchase price of \$2,550,000 plus normal and customary closing costs, to provide alternative living spaces for homeless individuals and county-dependent individuals impacted by the COVID-19 pandemic; and

BE IT FURTHER RESOLVED, that Hennepin County Board of Commissioners approves the transfer of \$2,650,000 to the Hennepin County Housing and Redevelopment Authority for acquisition of property located at 5637 Lyndale Avenue South, Minneapolis (\$2,550,000) and for building renovations and related expenses (\$100,000); and that the Controller be authorized to transfer funds as directed.

#### Background:

**History:** Section 601(a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories; and Tribal governments. Hennepin County received a direct payment out of the Fund from the U.S. Treasury.

The CARES Act provides that money from the Fund may only be used to cover costs that

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The available guidance from the U.S. Department of the Treasury provides examples of eligible expenditures, including expenses for quarantining individuals; expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions; and expenses associated with the provision of economic support in connection with the COVID-19 emergency. The available guidance also explicitly states that governments may retain assets purchased with payments from the Fund, if the purchase of the asset was consistent with the limitations on the eligible use of funds (as outlined above).

Resolution 20-0193 authorized the County Administrator to pursue purchase agreements for alternative living space for homeless adults and county-dependent individuals impacted by COVID-19. Staff identified an available property located at 5637 Lyndale Avenue South, Minneapolis (currently owned by FAHMIDA Hospitality Group, LLC) consisting of 35 hotel rooms and associated common spaces. Staff recommends that the Hennepin County Housing and Redevelopment Authority (HCHRA) be requested to negotiate a Purchase Agreement with FAHMIDA Hospitality Group, LLC in accordance with the following terms:

- Property – an existing 35-room motel property located at 5637 Lyndale Avenue South, Minneapolis;
- Purchase price - \$2,550,000, plus normal and customary closing costs, with a refundable earnest money deposit (anticipated \$25,000 - \$50,000);
- Due diligence period – contingencies include title, survey, inspections, and securing all necessary municipal and governmental approvals
- Closing period – November - December 2020.

Building renovations consisting of basic updates and repairs are not to exceed \$100,000 (Fund 37/ DeptID 843400/ Acct 55552/ Project 1007980/ Activity Z)

Hennepin County began leasing out local hotel rooms in March as protective housing for homeless adults with underlying health problems, as a proactive measure to prevent the sort of large-scale COVID-19 outbreaks that have devastated homeless populations in other cities, including Boston, New York and San Francisco. Acquisition will continue the county's efforts to deconcentrate homeless

shelters and living quarters to prevent the spread of COVID-19 in Hennepin County, while allowing a reduction in current leased hotel space.

This effort to provide overflow sites, isolation and quarantine space, and protective housing, to ensure safe housing that supports compliance with public health precautions, particularly through individual rooms where possible, is also consistent with Centers for Disease Control and Prevention's interim guidance on unsheltered homelessness and COVID-19 (updated May 13, 2020), and interim guidance for people experiencing homelessness and COVID-19 (updated June 12, 2020), and the Governor's Stay Safe Order on Protecting the Rights and Health of At-Risk Populations during the COVID-19 Peacetime Emergency (Emergency Executive Order 20-55, dated May 13, 2020).

**Current Request:** This request is for \$2.65 million in federal CARES funding be transferred to the Hennepin County Housing and Redevelopment Authority to acquire 5637 Lyndale Avenue South, Minneapolis to provide alternative living accommodations for homeless and county-dependent individuals impacted by the pandemic.

**Impact/Outcomes:** Acquisition of 5637 Lyndale Avenue South will provide 35 units of alternative living accommodation for homeless and county-dependent individuals impacted by the COVID-19 pandemic.

**Recommendation from County Administrator:** Recommend Approval