

Memorandum



DATE October 16, 2009

TO Members of the Economic Development Committee: Ron Natinsky (Chair),
Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane,
Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT **Southern Skates**

On Tuesday, October 20, 2009, you will be briefed on United Front of Dallas, Inc. (Southern Skates). Briefing material attached.

Should you have any questions, please contact me at (214) 670-3314.


A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Director, Office of Financial Services
David Cook, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Southern Skates Update

Economic Development Committee

October 20, 2009



Purpose

- Update Economic Development Committee on Southern Skates facility
- Seek direction from Economic Development Committee on next steps

Prior Action

- Economic Development Committee was briefed on Southern Skates on August 17, 2009. Committee actions were the following:
 - Committee voted to sell the Southern Skates facility
 - Committee recommended closing the facility October 1, 2009
 - Committee requested that staff contact HUD to determine the impact of October 1st closing

HUD Response

- The HUD Fort Worth Regional Office sent written responses concerning the impact of closing and selling the Southern Skates facility to City staff, referencing the HUD Regulations that govern the impact of a change of use and the process.
- The owner (City) of real property purchased with CDBG funds must keep the property in use for the original purpose unless the change of use is for another eligible use or the property is sold. If the real property is sold, the original planned use must continue until title changes.

HUD Response, cont'd.

- A recipient may not change the planned use of any such real property from that which CDBG funds were used without providing affected citizens a Public Hearing to comment on the proposed change and the proposed change meets an eligible National Objective.
- Selling the property would constitute a change of use.
- Notice of Public Hearing for HUD projects must be posted for 30 days prior to the hearing. The full Public Hearing process, from agenda through committee and council approval, the actual hearing, close of the Hearing and council action, could take up to 60 days. Time will increase if Public Hearing is extended.

HUD Response, cont'd.

- If the project is found to be in non compliance, HUD may take actions that range from a warning to reimbursement to the City's CDBG line of credit of up to \$1,060,000 from the City's General Fund.
- If the City chooses to sell the facility, the City's CDBG program would be reimbursed from sale proceeds and not the City's General Fund.

HUD Response, cont'd.

- HUD has conveyed the following conditions for selling the facility:
 - Public bid – aggressive, comprehensive marketing
 - No advertised minimum bid
 - Deed restrictions prohibiting disfavored uses are permitted provided they are reviewed by HUD
 - Sale proceeds to be shared pro rata to HUD and City's General Fund based on contributions
 - HUD pro rata share reprogrammed to City CDBG line of credit
 - HUD is open to state mandated publicly advertised bid process to establish Fair Market Value

Current Status

- Skating rink continues to operate
- Facility operating schedule is Thursday, Saturday and Sunday Matinee
- The current schedule generates revenues sufficient to meet operating expenses
- The facility is in need of foundation repairs and routine maintenance
 - Cost estimate is \$40,000 to be funded from PKR capital budget

Recent Inquiries

- Staff has received three inquiries to operate, lease or buy the facility. All require subsidies from the City. (See Appendix A)
- To be compliant with HUD regulations, lease, operation or sale of the facility must be done through a competitive bid process. If the facility is contracted to an outside entity to operate the skating rink or use it for another eligible use that meets a National Objective, the following compliance conditions would apply:
 - Operator would be subject to a “normal/reasonable” return
 - “Normal/reasonable” return methodology would be determined by HUD and the City
 - Profit in excess of “normal/reasonable” will be considered program income
 - Program income must be returned to the City’s CDBG line of credit
 - HUD monitoring would continue throughout any contract period
 - City is responsible for any HUD non compliance during any contracted period
 - HUD reimbursement may be required for any unresolved non compliance issues

Next Steps

- Receive guidance from the Economic Development Committee
- Follow through on decision to sell:
 - Continue to operate on breakeven schedule
 - Call for Public Hearing (to be held January 2010)
 - Move forward with sale of facility working with HUD

Appendix A

(Inquiries/Conditions)

- September 22, 2009 – Skate America
 - Five (5) year lease with four (4) five (5) year options
 - Option to purchase building at anytime during lease for \$300,000
 - \$25,000 annually from City during the lease for facility security
 - Repair of any structured defects
 - PKR guarantee of 5,000 children annually to the rink at \$8 per child

Appendix A

(Inquiries/Conditions) cont'd

- October 6, 2009 – Fred H. Porter (former skating rink manager) with The Missionary Group (local Dallas churches)
 - Three (3) year lease agreement with an option to renew or purchase on or before end of lease with the following stipulations
 - Landlord will give tenant four months free rent at the signing of lease with no up front capital required of Landlord or Tenant
 - Rent for the first year will be \$3,500 per month and will begin March 1, 2009 and will increase \$550 each year at renewal of lease until property is purchased
 - Landlord and Tenant will agree to a firm purchase price of property with tenant having the option to purchase property at anytime.

Appendix A

(Inquiries/Conditions) cont'd

- Tenant will maintain \$1,000,000 liability insurance at all times
- Tenant will utilize property as initial design and purpose
- Tenant will provide economic stimulus in neighborhood to fulfill initial purpose of building
- Tenant will implement positive youth programs to address dropout rate in neighborhood
- Tenant will implement adult training programs to increase employability of residents
- Tenant will implement senior program to enhance quality of life for neighborhood seniors
- Tenant will implement food program to assist nutritional viability of neighborhood
- Tenant will implement after-school programs to assist with neighborhood educational improvement
- Tenant will implement summer programs to assist with positive youth activities

Appendix A

(Inquiries/Conditions) cont'd

- October 5, 2009 – Dr. Shirley King – Pleasant Grove Weed and Seed
 - Requesting tax abatements and other available incentives