



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 23-1263

Meeting Date: 6/20/2023

TITLE:

AGREEMENTS FOR HOUSING-RELATED SUPPORTIVE SERVICES IMPLEMENTING THE PREVIOUSLY-APPROVED HOME-AMERICAN RESCUE PLAN (HOME-ARP) FUNDING ALLOCATION PLAN

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/ HOUSING AND COMMUNITY DEVELOPMENT DIVISION

PRESENTED BY: MIKELLE DAILY, GRANT ADMINISTRATOR

CONTACT INFORMATION: MIKELLE DAILY, GRANT ADMINISTRATOR, (714) 754-5678

RECOMMENDATION:

Staff recommends the City Council:

1. Authorize the City Manager and City Clerk to appropriate and execute an agreement funded by HOME-ARP and ARPA funding with Community Legal Aid of Orange County in the amount of \$250,000 for a one (1) year term with an additional three (3) year renewal options depending on funding, in substantially the same form as attached and in such final form as approved by the City Attorney.
2. Authorize the City Manager and City Clerk to appropriate and execute an agreement funded by HOME-ARP and ARPA funding with Project Hope Alliance in the amount of \$120,000 for a one (1) year term with an additional three (3) year renewal options depending on funding, in substantially the same form as attached and in such final form as approved by the City Attorney.
3. Authorize the City Manager and City Clerk to appropriate and execute an agreement funded by HOME-ARP and ARPA funding with Stand UP for Kids in the amount of \$72,348 for a one (1) year term with an additional three (3) year renewal options depending on funding, in substantially the same form as attached and in such final form as approved by the City Attorney.
4. Authorize the City Manager and City Clerk to appropriate and execute an agreement funded by HOME-ARP and ARPA funding with Trellis in the amount of \$29,640 for a one (1) year term with an additional three (3) year renewal options at \$87,952 depending on funding, in substantially the same form as attached and in such final form as approved by the City Attorney.

5. Authorize the City Manager and the City Clerk to appropriate and execute an amendment to the existing agreement with Mercy House to add ARPA funding allocated to rental assistance in the FY 23-24 Adopted Budget, plus an additional \$750,000 in ARPA funds, to continue to provide rental assistance in the City of Costa Mesa and extend the term of the agreement to December 31, 2024.
6. Authorize the City Manager, or the City Manager's Designee, to amend the HOME-ARP Allocation Plan to re-allocate \$100,000 from Development and Support of Affordable Housing to Supportive Services.

BACKGROUND:

Home American Rescue Plan (HOME-ARP) Funds

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. To address the need for homelessness assistance and supportive services, \$5 billion in federal ARP funds were appropriated, to be administered through the federal HOME Investment Partnerships Program (HOME). (These funds are referred to as HOME-ARP funds.) On April 8, 2021, the U.S. Department of Housing and Urban Development (HUD) allocated HOME-ARP funds to grantees using the HOME formula established in 24 CFR 92.50 and 92.60. The City of Costa Mesa (City), a Grantee and HOME Participating Jurisdiction, was allocated \$1,816,742 in HOME-ARP funds. These funds are different and separate from other ARPA funds allocated to the City and are specifically for homelessness assistance and supportive services that primarily benefit "qualifying populations". Qualifying populations are homeless persons and persons at risk of homelessness as defined by HUD. The funds must be expended by September 30, 2030.

American Rescue Plan Act (ARPA)

The American Rescue Plan Act (ARPA) of 2021 passed by the United States Congress and signed into law by President Joe Biden on March 11, 2021, is a \$1.9 trillion economic stimulus bill providing for a wide variety of funding efforts to offset the economic losses resulting from the COVID-19 worldwide pandemic. Funds must be committed by December 31, 2024.

Previously-Approved HOME- ARP Allocation Plan

To receive its HOME-ARP funds, the City engaged in consultation and public participation processes to develop a HOME-ARP Allocation Plan that meets the requirements established by HUD. The HOME-ARP Allocation Plan was approved for submission to HUD at the September 6, 2022 City Council meeting. (The September 6, 2022 City Council agenda report, meeting minutes and video are provided as links below). The City received confirmation of approval of the Allocation Plan from the HUD Los Angeles Field Office on January 23, 2023.

- September 6, 2022 Agenda Report:

[CITY OF COSTA MESA - File #: 22-799 \(legistar.com\) <https://costamesa.legistar.com/LegislationDetail.aspx?ID=5809896&GUID=8EBDCC28-698F-4CD4-9C06-8FOBA0EB940B&Options=&Search=>](https://costamesa.legistar.com/LegislationDetail.aspx?ID=5809896&GUID=8EBDCC28-698F-4CD4-9C06-8FOBA0EB940B&Options=&Search=>)

- September 6, 2022 Meeting Minutes:

[View.ashx \(legistar.com\) <https://costamesa.legistar.com/View.ashx?M=M&ID=980817&GUID=9A7ED08B-F8FB-4C8C-9BE8-E9A72680D88D>](https://costamesa.legistar.com/View.ashx?M=M&ID=980817&GUID=9A7ED08B-F8FB-4C8C-9BE8-E9A72680D88D)

- September 6, 2022 Video:

[REGULAR CITY COUNCIL AND SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY AND HOUSING AUTHORITY on 2022-09-06 6:00 PM - *Note: All agency memberships are reflected in the title "Council Member" 4:00 P.M. Closed Session \(granicus.com\) <https://costamesa.granicus.com/player/clip/3895?view_id=14&redirect=true&h=6cc7cd32743e314412728277ca1e5a15>](https://costamesa.granicus.com/player/clip/3895?view_id=14&redirect=true&h=6cc7cd32743e314412728277ca1e5a15)

The City identified in its HOME-ARP Allocation Plan that it would use HOME-ARP funds for the development of affordable housing and housing-related supportive services for qualifying populations as shown in Table 1 below. Supportive services were allocated the majority of HOME-ARP funds, with a small amount allocated to affordable housing as a placeholder in case the City did not receive sufficient proposals for supportive services. (Affordable housing development has been and is being funded by other funding sources such as ARPA, HOME, and Housing Authority funds).

Supportive service gaps identified in the HOME-ARP Allocation Plan include mental health services, substance abuse services, legal services, wrap-around services, transportation services, landlord-tenant relations (including emergency rental assistance) and credit repair.

TABLE 1 - Previously-Approved HOME-ARP Allocation Plan

| AVAILABLE FUNDS | | |
|---|------------------|--------------------|
| HOME-ARP Allocation | \$1,816,742 | |
| | TOTAL: | \$1,816,742 |
| ADMINISTRATION | | |
| Administration and Planning (% max) | \$272,510 | |
| | Subtotal: | \$272,510 |
| PROPOSED PROGRAMS/PROJECTS | | |
| Development and Support of Affordable Housing | \$100,000 | |
| | Subtotal: | \$100,000 |
| Supportive Services | \$1,444,232 | |
| | Subtotal: | \$1,444,232 |
| | | |
| | TOTAL: | \$1,816,742 |

Eligible Qualifying Populations

Supportive services may be provided to individuals and families who meet the definition of a qualifying population (summarized below) and who are not already receiving these services through another program.

1. **Homeless**, as defined in [24 CFR 91.5 <https://www.ecfr.gov/current/title-24 subtitle-A/part-91>](https://www.ecfr.gov/current/title-24 subtitle-A/part-91) Homeless (1), (2), or (3).
2. **At risk of Homelessness**, as defined in [24 CFR 91.5 <https://www.ecfr.gov/current/title-24 subtitle-A/part-91>](https://www.ecfr.gov/current/title-24 subtitle-A/part-91) At risk of homelessness

3. **Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, as defined by HUD.** [24 CFR 5.2003](https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-L/section-5.2003)
[<https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-L/section-5.2003>](https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-L/section-5.2003)
4. **Other Populations** where providing supportive services or assistance under section 212(a) of NAHA (42 U.S.C. 12742(a)) would prevent the family's homelessness or would serve those with the greatest risk of housing instability. HUD defines these populations as individuals and households who do not qualify under any of the populations above.

In summary, qualifying individuals or families:

- Are already homeless (as defined in Section 103 (a) of the McKinney-Vento Homelessness Assistance Act);
- Have an annual income below 30% of the median income for the area (e.g. \$40,650 for a family of 4);
- Do not have resources or support networks immediately available to prevent them from moving into an emergency shelter;
- Do not have permanent housing (e.g. living in a motel or in the home of another, has been provided an eviction notice; or
- Are fleeing domestic violence.

ANALYSIS:

The City's Purchasing Division released a Request for Proposals (RFP) for Housing-Related Supportive Services on March 27, 2023 (**Attachment 1**). The RFP was posted on the City's online procurement platform (Planet Bids) and notification of its posting was sent to local nonprofit organizations. The City received five proposals that met threshold criteria for consideration.

A panel comprised of City staff reviewed the five submittals. Each proposal was evaluated for compliance with the City's RFP as well as project understanding, depth of experience, expertise, and associated factors. Staff ranked the proposals accordingly. As the funding is specific to HOME-ARP, the review panel confirmed that the budgeted activities are eligible by HUD regulation for HOME ARP activities and that no other funding source is more appropriate before making its funding recommendations.

The following proposals were received and ranked in the following order:

- Community Legal Aid SoCal proposed \$150,000 to serve 37 Costa Mesa households facing eviction without the resources to pay for legal representation. or \$250,000 to serve 100 Costa Mesa households each year with no-cost legal services including eviction prevention and/or assistance with public benefit documentation (e.g. social security, supplemental security income, and unemployment documentation as applicable).

- Mercy House proposed \$750,000 to provide short-term rental assistance to 60 Costa Mesa households, which is a continuation of its existing rental assistance program funded by Costa Mesa ARPA funds.
- Trellis and Project Hope Alliance received the same score
 - Project Hope Alliance identified the total annual cost to run their existing program in Costa Mesa at \$894,007, which serves over 100 Costa Mesa students daily on site at Costa Mesa schools and after hours providing in-place case management services and wrap around services for youth experiencing homelessness. They clarified with staff that their program is funded through a combination of grant funding sources and private donations and an allocation of HOME-ARP funds of \$120,000 would allow the program to serve an additional 40 students per year, increasing the total to 140 students served.
 - Trellis proposed to serve homeless individuals through its existing Community Impact Team with wrap around services such as transportation services and housing support. They identified a gap in funding for FY23-24 of \$29,640 and a gap for FY24-25 equal to \$87,952.
- Stand UP for Kids proposed to serve 20 transitional aged youth (ages 18-24) each year through their Journey to Self Sufficiency program for \$72,348.

The five proposals submitted in response to the RFP are included as Attachment 2.

Funding Recommendations

Due to the need for supportive services in the community, staff is recommending to fund all five organizations who submitted proposals using a combination of HOME-ARP funds (\$1,544,232) and ARPA funds (\$1,568,656) for a total of \$3,112,888. Four of the five organizations would primarily be funded with HOME-ARP funds (supplemented by ARPA funds) for four years, as shown below. In these cases, ARPA funds would be applied first, in Year 1, due to the upcoming commitment deadline of December 2024 for ARPA funds. The fifth organization, Mercy House, would be funded by ARPA funds to continue its existing rental assistance program for an additional one year period as described below.

Staff is recommending Mercy House be funded with ARPA funds instead of HOME-ARP funds because HOME-ARP funds would impose more restrictive requirements on its existing rental assistance than its current program funding (Costa Mesa ARPA funds). ARPA funding is not restricted to serving “qualifying populations”, which allows the program to meet the need of a larger pool of Costa Mesa residents (for example, households with incomes up to 50% AMI instead of the HOME-ARP limit of 30% AMI). The City’s existing ARPA funding allocation will likely be expended by December 2023. As such, the staff recommendation for additional funding would allow this existing rental assistance program to be extended for an additional year through December 2024.

TABLE 2 – Staff Recommended Funding Allocations

| Organization Name & Program Summary | First Year 2023-24 | Second Year 2024-25 | | Third Year 2025-26 | Fourth Year 2026-27 | | |
|---|---|------------------------|-----------------------|-----------------------|------------------------|--|--|
| | <u>ARPA Funds</u> | <u>ARPA Funds</u> | <u>HOME-ARP Funds</u> | <u>HOME-ARP Funds</u> | <u>HOME-ARP Funds</u> | | |
| Community Legal Aid SoCal No-cost Legal Services for Low Income Renters | \$250,000 | | \$250,000 | \$250,000 | \$250,000 | | |
| Trellis Community Impact Team Wrap Around Services | \$29,640 | | \$87,952 | \$87,952 | \$87,952 | | |
| Project Hope Alliance Case Management for Youth Experiencing Homelessness | \$120,000 | | \$120,000 | \$120,000 | \$120,000 | | |
| Stand UP for Kids Journey to Self Sufficiency Program | \$72,348 | \$46,668 | \$25,680 | \$72,348 | \$72,348 | | |
| | | | \$72,348 subtotal | | | | |
| Mercy House Rental Assistance Program Rental assistance for low income families | \$1,050,000 (through December 2024) - - | | | | | | |
| SUB TOTAL: | \$1,521,988 | \$46,668 | \$483,632 | \$530,300 | \$530,300 | | |
| TOTAL: | \$1,521,988 | \$530,300 | | \$530,300 | \$530,300 | | |
| | | | | HOME-ARP TOTAL | \$1,544,232 | | |
| | | | | ARPA TOTAL | \$1,568,656 | | |
| | | | | TOTAL | \$3,112,888 | | |

ALTERNATIVES:

The City Council can choose not to fund the proposed activities or to fund the activities in different amounts.

FISCAL REVIEW:

This action does not have a fiscal impact to the General Fund. The City received one-time funding of approximately \$1.8 million in HOME-ARP funds and the program requires that the allocation be expended by September 30, 2030. The City also received one-time funding of ARPA funds in the amount of approximately \$26.5 million. Of this amount, approximately \$6 million is uncommitted.

The five agreements will require \$1.5 million in HOME-ARP funds (with \$100,000 re-allocated from Development of Affordable Housing to Supportive Services) and \$1.5 million in ARPA funds. \$300,000 is already included in the FY 2023-24 Adopted Budget for rental assistance. This action will increase ARPA's commitment by \$750,000.

LEGAL REVIEW:

The City Attorney's Office has reviewed and approved this agenda report as to form and prepared the attached draft agreements.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Diversify, Stabilize and Increase Housing to Reflect Community Needs

CONCLUSION:

Staff recommends that the City Council approve a combination of ARPA and HOME-ARP funding to fund the five organizations that responded to the HOME-ARP Supportive Services RFP for housing-related supportive services and authorize the City Manager and City Clerk to execute all associated agreements.