



# City of Costa Mesa

## Agenda Report

77 Fair Drive  
Costa Mesa, CA 92626

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**File #:** 22-668

**Meeting Date:** 5/3/2022

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**TITLE:**

**SUBSTANTIAL AMENDMENT TO THE FISCAL YEAR 2021-2022 ANNUAL ACTION PLAN IDENTIFYING FUNDING PRIORITIES FOR THE HOME-AMERICAN RESCUE PLAN (ARP) ALLOCATION PLAN**

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

**PRESENTED BY: MIKELLE DAILY, GRANT ADMINISTRATOR**

**CONTACT INFORMATION: MIKELLE DAILY, GRANT ADMINISTRATOR, 714- 754-5678; [Mikelle.Daily@costamesaca.gov](mailto:Mikelle.Daily@costamesaca.gov)**

**RECOMMENDATION:**

Staff recommends the City Council:

1. Hold a Public Hearing regarding the FY 2021-2022 Substantial Amendment to the Annual Action Plan.
2. Approve the recommended allocation of \$1,816,742 for the HOME-ARP Allocation Plan, a Substantial Amendment to the FY 2021-2022 Annual Action Plan.
3. Adopt Resolution No. 2022-XX in order to:
  - a. Approve the HOME-ARP Allocation Plan, a Substantial Amendment to the 2021-2022 Annual Action Plan.
  - b. Authorize the City Manager, or the City Manager's designee, to submit the 2021-2022 Annual Action Plan Substantial Amendment to the U.S. Department of Housing and Urban Development.
  - c. Designate the City Manager, or the City Manager's designee, as the official representative of the City to administer the programs and to execute and submit all required agreements, certifications, and documents required by HUD, and execute all agreements for the use of funds approved in the 2021-2022 Annual Action Plan Substantial Amendment.
4. Authorize revenue and expense appropriations, respectively, each in the amount of \$1,816,742, for the HOME-ARP Allocation Plan.

**BACKGROUND:**

**American Rescue Plan (ARP) Funds**

On March 11, 2021, the American Rescue Plan Act of 2021 (ARP) 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). On April 8, 2021, the U.S. Department of Housing and Urban Development (HUD) allocated HOME-ARP funds to 651 grantees using the HOME formula established in 24 CFR 92.50 and 92.60. As a recipient of HOME funds, the City of Costa Mesa is eligible to receive a HOME-ARP allocation in the amount of \$1,816,742.

ARP funds can be used to fund four activities that must primarily benefit qualifying individuals and families who are homeless, at risk of homelessness or in other vulnerable populations. These activities are:

- (1) development and support of affordable housing;
- (2) tenant-based rental assistance (TBRA);
- (3) provision of supportive services; and
- (4) acquisition and development of non-congregate shelter units.

To receive its HOME-ARP funds, the City must engage in consultation and public participation processes, develop a HOME-ARP allocation plan that meets the HUD requirements, and submit it to HUD as a substantial amendment to the City's Fiscal Year 2021 annual action plan. The HOME-ARP allocation plan must describe how the City intends to distribute HOME-ARP funds, including how it will use these funds to address the needs of HOME-ARP qualifying populations.

### **HOME-ARP Outreach and Consultation**

On March 21, 2022, staff hosted a HOME-ARP consultation meeting with nonprofit service providers and distributed surveys to gather feedback on existing gaps in services for vulnerable populations in Costa Mesa.

On March 31, 2022, staff participated with the Orange County Continuum of Care (CoC) in a consultation meeting to gather feedback on proposed activities for the HOME-ARP Allocation Plan.

On April 5, 2022, a HOME-ARP survey was posted on the City's website to gather additional feedback from the community regarding potential funding priorities.

Finally, the City is required to provide a 15-day public comment period and must hold a public hearing before approving and submitting the FY 2021-2022 Substantial Amendment for the HOME-ARP Allocation Plan to HUD.

### **ANALYSIS:**

#### **Community Feedback**

Staff received valuable feedback from non-profit service and affordable housing providers and organizations via in-person and virtual outreach meetings, online survey results, and phone and email correspondence. (A summary of the feedback is provided below and within the Allocation Plan itself). In general, feedback indicated a need to focus on:

- Increasing availability/affordability of housing units;
- Mental health and substance abuse supportive services for youth, survivors of domestic

violence and individuals experiencing homelessness;

- Supportive and wrap-around services such as transportation, legal services, credit repair and assistance with landlord/tenant relations;
- Case management services;
- Services for seniors, the disabled, and monolingual Spanish speakers; and
- Support for existing programs to ensure continuity of current services.

### **FY 2021-2022 Substantial Amendment HOME-ARP Allocation Plan**

The City will receive \$1,816,742 in HOME-ARP funds once the FY 2021-2022 Substantial Amendment for the HOME-ARP Allocation Plan is submitted and approved by HUD. Based on an analysis of housing/community needs, an assessment of current services available to the qualifying populations, and community feedback, staff is recommending funding for two HOME-ARP eligible activities:

1. Development and Support of Affordable Housing
2. Supportive Services including those defined at 24 CFR 578.53(e)
  - McKinney-Vento Supportive Services
  - Homelessness Prevention Services; and
  - Housing Counseling Services

The Allocation Plan (attached) provides a funding allocation for each of the above-listed activities. Based on the community feedback, staff anticipates a substantial demand for funds for supportive services. However, there is also a clear need for funding to support affordable housing projects as well, which require greater capital investment to bring to fruition. As such, in the public review draft Allocation Plan, staff originally envisioned a split of \$1,000,000 allocated to support affordable housing, with \$544,231 allocated to supportive services.

However, given that affordable housing projects can also be funded with HOME dollars and supportive services cannot (the City's proposed FY 22-23 Annual Action Plan shows \$2.3 Million in HOME funds allocated for affordable housing projects), staff is recommending that the City Council approve a modified Allocation Plan that prioritizes HOME-ARP funds for supportive services in the amount of \$1,000,000 and allocates \$544,231 for affordable housing. Refer to Table 1 below for the staff recommended HOME-ARP Allocation Budget.

It should be noted that these allocations are estimates and no specific projects are known at this time. A Request for Proposals (RFP) will be issued for both categories of projects. Depending on the proposals received, HOME-ARP funds may be allocated to either Supportive Services and/or Development of Affordable Rental Housing based on proposals that the City receives in response to the RFP solicitation process. After the City has selected a proposal(s), the City will adjust the amount

of funding allocated in either category, not to exceed the total HOME-ARP allocation.

<b>TABLE 1 - HOME-ARP ALLOCATION PLAN</b>		
<b>ADMINISTRATION</b>		
Administration and Planning	\$272,511	
	<b>Subtotal:</b>	\$272,511
<b>PROPOSED PROGRAMS/PROJECTS</b>		
Development and Support of	\$544,231	
	<b>Subtotal:</b>	\$544,231
Supportive Services	\$1,000,000	
	<b>Subtotal:</b>	\$1,000,000
<b>HOME-ARP ALLOCATION</b>	<b>TOTAL:</b>	<b>\$1,816,742</b>

### **Development and Support of Affordable Housing**

HOME-ARP funds may be used to acquire, rehabilitate or construct affordable rental housing primarily for occupancy by households of individuals and families that meet the definition of one or more of the qualifying populations under HUD regulations. Eligible HOME-ARP rental housing includes manufactured housing, single room occupancy (SRO) units, and permanent supportive housing. HOME-ARP funds may be used to pay for up to 100% of the following eligible costs associated with the acquisition, development, and operation of HOME-ARP rental units: development hard costs, refinancing, acquisition, related soft costs, relocation costs, costs related to payment of loans, and operating cost assistance. There is a 15-year compliance period. Staff recommends allocating \$544,231 in HOME-ARP funds for the Development and Support of Affordable Housing.

### **Supportive Services**

HOME-ARP funds may be used to provide a broad range of supportive services to qualifying individuals or families as a separate activity or in combination with other HOME-ARP activities. Supportive services include a) services listed in section 401(29) of the McKinney-Vento Homeless Assistance Act ("McKinney-Vento Support Services") b) homeless prevention services and c) housing counseling services. Supportive services may be provided to individuals and families who meet the definition of a qualifying population who are not already receiving these services through another program. Staff recommends allocating \$1,000,000 in HOME-ARP funds for Supportive Services.

### **Administration**

HUD allows the City to allocate up to 15 percent of its HOME-ARP allocation for payment of reasonable administrative and planning costs including program management, coordination,

monitoring, and evaluation. Eligible program administration expenditures include program staff salaries and benefits, contract services, legal services, and other costs for good and services required for administering the HOME-ARP program. Based on the City's HOME-ARP grant amount, a maximum of \$272,511 is available for program administration.

### **Noticing Requirements and Public Comment**

As required by HUD, a notice was published in local newspapers on April 17, 2022, inviting the public to review and comment on the draft HOME-ARP Allocation Plan, a Substantial Amendment to the 2021-2022 Annual Action Plan. The comment period began April 18, 2022, and will conclude on May 3, 2022 at Noon. The notice also announced the May 3, 2022 City Council public hearing. At the time of this report, no comments have been received. If comments are received, they will be forwarded to the Council under separate cover prior to the hearing.

### **ALTERNATIVES:**

The City Council can choose not to fund the proposed activities recommended by staff and allocate HOME-ARP funds to other eligible activities. The City Council can also direct staff to not submit the Allocation Plan; however, if the City does not submit the Allocation Plan, HOME-ARP funds will most likely be returned to the U.S. Treasury.

### **FISCAL REVIEW:**

This action does not have a fiscal impact to the General Fund. Once the HOME-ARP Allocation Plan is approved by HUD, HUD will submit \$1,816,742 in HOME-ARP funds to the programs outlined above and revenue and expense appropriations will be established, respectively in the amount of \$1,816,742 for the HOME-ARP Allocation Plan.

### **LEGAL REVIEW:**

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

### **CITY COUNCIL GOALS AND PRIORITIES:**

This item supports the following City Council goal:

- Diversify, stabilize and increase housing to reflect community needs.

### **CONCLUSION:**

The draft 2021-2022 Substantial Amendment to the Annual Action Plan is prepared according to HUD regulations and outlines how the City will utilize HOME-ARP funds to meet the objectives and goals of the federal HOME-ARP program. Staff recommends that the City Council hold a public hearing to obtain public input and adopt the Resolution approving the draft 2021-2022 Substantial Amendment to the Annual Action Plan.