



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-799

Meeting Date: 9/6/2022

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

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:

HOME-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 and 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.

Eligible Activities

HOME-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) Provision of supportive services;
- (3) Tenant-based rental assistance (TBRA); and
- (4) Acquisition and development of non-congregate shelter units.

Of these four activities eligible for HOME-ARP funds, the activities that would best serve qualifying individuals and families in Costa Mesa include (1) the development and support of affordable housing and (2) the provision of supportive services.

A TBRA program that uses HOME-ARP funds can only assist qualifying individuals (homeless or at risk of homelessness as specifically defined below). In addition, the City Council has already allocated \$1.6 Million for rental assistance programs using less restrictive funding sources which allow the City to serve a greater proportion of City residents in need. As such, funding TBRA with HOME-ARP funds would not expand the reach of existing rental assistance and HOME-funded TBRA programs currently in operation. Therefore, staff does not recommend using HOME-ARP funds to augment the existing TBRA program.

Regarding non-congregate shelter units, the City of Costa Mesa acquired and developed the 70 bed Bridge Shelter to serve individuals experiencing unsheltered homelessness and is in the expedited process of creating 88 affordable housing units with support services for veterans and seniors through the Homekey program. These approaches provide the appropriate level of resources for those working toward housing stability. Creating non-congregate shelter units using HOME-ARP funds is not recommended at this time.

Lastly, the feedback that was received during the HOME-ARP Allocation Plan outreach supports the determination that activities (1) and (2) listed above are the best use of HOME-ARP funds for the City of Costa Mesa.

Qualifying Populations

The purpose of HOME-ARP funding is to provide homelessness assistance and supportive services to those who are homeless or at risk of becoming homeless. HUD identifies these individuals as part

of “qualifying populations” with very specific definitions for qualifying individuals and families.

ARP defines qualifying individuals or families as those that are (1) homeless, as defined in section 103(a) of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. 11302(a)) (“McKinney-Vento”), (2) at risk of homelessness, as defined in section 401 of McKinney-Vento (e.g. have an annual income below 30% of the median income for the area and do not have permanent housing, for example living in a hotel, , living in the home of another, etc.); (3) fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; (4) part of other populations where providing supportive services or assistance would prevent a family’s homelessness or would serve those with the greatest risk of housing instability; or (5) veterans and families that include a veteran family member that meet the criteria of (1)-(4) above.

Allocation Plan Required

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.

On May 3, 2022, the City Council held a public hearing after providing a 15-day public comment period for the draft HOME-ARP Allocation plan. Approval of the plan was continued at that time so that staff could provide the City Council with additional information including a comprehensive summary of the various funding sources and rental assistance programs already available to residents in the City. Staff provided a comprehensive overview of Citywide rental assistance programs at the June 21, 2022 City Council meeting.

On July 1, 2022 and on August 21, 2022, the City re-advertised and posted the modified draft HOME-ARP Allocation Plan on the City’s website and at City Hall for additional public comment.

Lastly, the City Council will hold a public hearing on September 6, 2022 regarding the submittal of 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.

Recommended 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. As such, staff is recommending that the City Council approve an Allocation Plan that equally divides HOME-ARP funds between supportive services and affordable housing by allocating \$772,116 for each activity. 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 the proposals received. 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 of \$1,816,742.

TABLE 1 – HOME-ARP ALLOCATION PLAN		
ADMINISTRATION		
Administration and Planning (15% max)	\$272,510	
	Subtotal:	\$272,510
PROPOSED PROGRAMS/PROJECTS		
Development and Support of Affordable Housing	\$772,116	
	Subtotal:	\$772,116
Supportive Services	\$772,116	
	Subtotal:	\$772,116
HOME-ARP ALLOCATION	TOTAL:	\$1,816,742

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 \$772,116 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 (i.e. homeless and at risk of homelessness as described earlier in this report). Examples of supportive services that could be eligible include: mental health services, legal services, landlord/tenant liaison services, employment assistance and job training, financial assistance, and other similar services. Staff recommends allocating \$772,116 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 \$272,510 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 concluded on May 3, 2022. The notice also announced the May 3, 2022 City Council public hearing. No comments were received. A second notice was published in the local newspapers on July 3, 2022, inviting the public to review and comment on the revised draft HOME-ARP Allocation Plan. The comment period began July 3, 2022, and concluded on July 19, 2022 at Noon. No comments were received. A third notice was published in the local newspapers on August 21, 2022, inviting the public to review and comment on the updated revised draft HOME-ARP Allocation Plan. The comment period began August 21, 2022, and concludes on September 6, 2022 at Noon. The notice also announced the September 6, 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 2021-2022 Substantial Amendment to the Annual Action Plan has been 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 2021-2022 Substantial Amendment to the Annual Action Plan.