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**Title:** APPROVAL OF AMENDMENTS TO CITYWIDE RENTAL ASSISTANCE PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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Date	Ver.	Action By	Action	Result
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**TITLE:**

**APPROVAL OF AMENDMENTS TO CITYWIDE RENTAL ASSISTANCE PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**DEPARTMENT:** CITY MANAGER’S OFFICE

**PRESENTED BY:** SUSAN PRICE, ASSISTANT CITY MANAGER  
NATE ROBBINS, NEIGHBORHOOD SERVICES MANAGER

**CONTACT INFORMATION:** LORI KARAGUEZIAN, SENIOR MANAGEMENT ANALYST, (714) 593-5347

**RECOMMENDATION:**

Staff recommends the City Council:

1. Approve proposed Amendment No. 2 (Attachment 1) to the Subrecipient Agreement (SRA) with Mercy House Living Centers increasing the compensation by \$62,312, for a total Not-To-Exceed amount of \$392,633 for program administration for the City’s CDBG-CV Rental Assistance Program for lower-income households without children.
2. Appropriate an allocation of \$500,000 in American Rescue Plan Act (ARPA) funds to augment the HUD funded Rental Assistance Program for Costa Mesa renters, and required ancillary services, if eligible, from this or any other Federal or City available and eligible Fund, as needed.
3. Authorize the City Manager and the City Clerk to execute any new agreements and any and all amendments to existing agreements for the augmented ARPA funding for the Rental Assistance Program to assist Costa Mesa renters to overcome housing instability.

## **BACKGROUND:**

From March 2020 to now, the COVID-19 Pandemic has had significant economic impacts on communities. Programs designed to provide a safety net for residents have been necessary to mitigate the related impacts pertaining to food, housing and income insecurity. The information contained herein provides an update on two HUD funded rental assistance programs in the City of Costa Mesa during this period of the pandemic.

### **Consolidated Plan**

The City of Costa Mesa, Development Services Department, submits a Consolidated Plan to HUD every five years and an Annual Action Plan every year in order to comply with HUD requirements, and continue to receive Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funds from the U.S. Department of Housing and Urban Development. Citywide rental assistance programs are currently funded with both CDBG-CV and HOME funding sources.

### **Community Development Block Grant Coronavirus (CDBG-CV)**

The Coronavirus Aid, Relief and Economic Security Act of 2020 (the “Cares Act”) provided \$5 billion in Community Development Block Grant Coronavirus funding (“CDBG-CV”) to assist low-income and vulnerable Americans impacted by the Coronavirus pandemic. The U.S. Department of Housing and Urban Development (“HUD”) allocated \$2 billion of these funds to eligible jurisdictions by using the existing CDBG grant formula. The CDBG-CV program is a COVID 19 resource that was approved as a substantial amendment to the FY 2019-2020 Annual Action Plan and is not a recurring source of funding.

City Council accepted round one of CDBG-CV funds on May 26, 2020 in the amount of \$668,658 and round two of CDBG-CV funds on October 9, 2020 in the amount of \$1,168,216 for a total of \$1,836,874 in CDBG-CV funds awarded to the City.

Table 1 shows the current allocations to subrecipients under the CDBG-CV program. A total of \$842,321 is allocated to three subrecipients for the operation of CDBG-CV Rental Assistance Programs: SPIN for Families (\$457,000), Mercy House for Individuals (\$330,321), and Families Forward for Families (\$55,000). Of these amounts, a total of \$285,451 is remaining. In addition, there is a total of \$62,312 of unprogrammed CDBG CV funds that can be added to this amount to provide further assistance to needy families and individuals, for a total of \$347,763 from CDBG CV funds.

### **HOME Tenant Based Rental Assistance Program (TBRA)**

The HOME TBRA Pilot Program was initiated as part of the 2020-2024 Consolidated Plan process with an initial allocation of \$150,000 for the program in FY 2020-2021. Families Forward was selected as the subrecipient administrator for the program in November 2020 and was subsequently allocated an additional \$150,000 in November 2021 for a total allocation of \$300,000 for the TBRA program. The agreement with Families Forward expires in November 2022 but can be extended as needed. A total of \$273,726 is remaining.

## **ANALYSIS:**

### **CDBG-CV Rental Assistance Program**

The City's current CDBG-CV Rental Assistance Program subrecipient agreements include the initial program criteria set by HUD. The initial objectives and guidelines of the City's CDBG-CV Rental Assistance Program allow for rental relief payments for residents experiencing a loss of income, directly related to COVID-19, with up to three (3) consecutive months of rental assistance, or a maximum of \$6,000 per household, whichever is less.

However, HUD revised its program guidelines to extend the period that grantees can make payments on behalf of individuals and families from three (3) consecutive months to six (6) consecutive months and authorizing the City to eliminate the maximum amount of assistance that can be provided.

Staff met with the subrecipient agencies to review the revised HUD guidelines and discuss progress with the Rental Assistance Programs. The HUD guidelines will be operationalized by the subrecipients for the remaining duration of program, until the funds are fully expended. By increasing the rental assistance period from three months to six months, removing the \$6,000 cap to allow for assistance up to any reasonable and necessary amount, and broadening eligibility criteria to include general COVID-19 economic recovery, homelessness, and eviction prevention, the Rental Assistance Programs will become more applicable to a broader group of Costa Mesa residents and easier to administer.

Staff has also expanded outreach efforts in response to public comments in recent Council meetings by developing new flyers and targeted outreach including:

- Targeted redistribution of Spanish and English program flyers;
- Social Media Posts (i.e., Facebook, Instagram, etc.);
- Costa Mesa Minute and El Minuto de Costa Mesa episodes;
- Table at English Learner Advisory Committee (ELAC) event at Costa Mesa High School; and
- Working with community partners to get the word out about rental assistance availability (i.e., Save Our Youth, Shalimar Learning Center, Wilson Learning Center, Las Promotoras, Think Together, Melinda Hoag Smith Center for Healthy Living, NMUSD -Title 1 Campus Community Facilitators/Principals).

Throughout the pandemic, several entities administered Rental Assistance Programs that had differing eligibility criteria, documentation standards and expiration dates. The Costa Mesa providers referred eligible households to those programs, where applicable, during the contract period. The CDBG-CV programs do not expire until 2024; hence, all programs funded can be extended until the allocated funds are fully expended.

The City does not anticipate receiving any more CDBG-CV funds from HUD. The three subrecipient agencies have expended \$556,869 of the \$842,321 awarded. There is \$285,452 remaining to administer. Mercy House is the only subrecipient serving households without children and it has almost fully expended its allocation. Staff recommends that Council allocate the remaining \$62,312 of unallocated CDBG-CV funds to Mercy House, which will fully appropriate the remaining CDBG-CV program funding.

The City expects current subrecipients to expend the currently allocated funding within the next 6 to 9 months.

### HOME - Tenant Based Rental Assistance (TBRA)

The initial pilot TBRA program eligibility matched the TBRA program provided by Families Forward in

the City of Huntington Beach and included the following criteria:

- Assisted people experiencing homelessness or at-risk of experiencing homelessness (e.g., low income at 50% area median income (AMI) or less and fleeing domestic violence or threatened by eviction within the forthcoming 21 days);
- Provided for a maximum of 6 months of rental assistance; and
- Included a “local preference” requirement for low-income (50% AMI) /homeless families that could demonstrate 36-month prior residency in the City of Costa Mesa.

Families Forward has observed that the local residency requirement is posing a barrier to assisting otherwise eligible families in Costa Mesa. In addition, staff noted that HUD regulations allow for rental assistance to be provided for up to 24 months and to low income families at 60% AMI. Therefore, staff is expanding the eligibility criteria to match the HUD regulations, which will broaden the group of Costa Mesa residents who are eligible for this program. Additionally, the three year residency requirement will be removed and “local preference” for families with ties to Costa Mesa will be approved on a case-by-case basis, based on more flexible criteria such as ties with family, work or school connections. Staff will continue to monitor and modify program criteria as needed to meet community need within the limits of HUD regulations. To date, Families Forward has expended \$26,274, with \$273,726 available to assist additional Costa Mesa families moving forward.

**Table 2 - HOME Rental Assistance Program**

<b>HOME - TBRA</b>	<b>Total Award</b>	<b>Total Spent</b>	<b>Total Remaining</b>
<b>Families Forward</b>	<b>\$300,000</b>	<b>\$26,274</b>	<b>\$273,726</b>

The following table reflects the numbers served by both rental assistance programs to date:

**Table 3 - Households/Persons Assisted to Date**

<b>Rental Assistance Program</b>	<b>Households Assisted</b>	<b>Number of Persons in HH Assisted</b>
<b>SPIN (CDBG-CV)</b>	<b>45</b>	<b>154</b>
<b>Mercy House (CDBG-CV)</b>	<b>31</b>	<b>42</b>
<b>Families Forward (CDBG- CV)</b>	<b>3</b>	<b>12</b>
<b>Families Forward (HOME - TBRA)</b>	<b>3</b>	<b>8</b>
<b>TOTAL</b>	<b>82</b>	<b>216</b>

The referenced revisions to both CDBG-CV and HOME-TBRA program eligibility criteria will expand the number of residents in Costa Mesa eligible for these programs. Approximately \$347,763 in CDBG

-CV funds and \$273,726 in HOME-TBRA funds remain available to assist Costa Mesa individuals and families and are sufficient to fund these programs through FY 22-23.

Mercy House, the only subrecipient serving households without children, has almost fully expended its allocation.

### **ALTERNATIVES:**

This item is administrative in nature.

### **FISCAL REVIEW:**

Staff is recommending that the remaining \$62,312 of unallocated CDBG-CV funding be allocated to Mercy House for rental assistance to individuals.

Staff also recommends to allocate \$500,000 from the American Rescue Plan Act (ARPA) funds to augment the current Rental Assistance programs and related support services.

### **LEGAL REVIEW:**

The City Attorney's office has reviewed this report and approved it 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:**

Staff recommends the City Council:

1. Approve proposed Amendment No. 2 (Attachment 1) to the Subrecipient Agreement (SRA) with Mercy House Living Centers increasing the compensation by \$62,312, for a total Not-To-Exceed amount of \$392,633 for program administration for the City's CDBG-CV Rental Assistance Program for lower-income households without children;
2. Appropriate an allocation of \$500,000 in American Rescue Plan Act (ARPA) funds to augment the HUD funded Rental Assistance Program for Costa Mesa renters;
3. Authorize the City Manager and the City Clerk to execute any new agreements and any and all amendments to existing agreements for the augmented ARPA funding for the Rental Assistance Program to assist Costa Mesa renters to overcome housing instability.