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Date	Ver.	Action By	Action	Result
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TITLE:

APPROVAL OF AMENDMENT TO MERCY HOUSE AGREEMENT FOR CITYWIDE RENTAL ASSISTANCE PROGRAM

DEPARTMENT: CITY MANAGER’S OFFICE

PRESENTED BY: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER

CONTACT INFORMATION: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER
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RECOMMENDATION:

Staff recommends the City Council:

1. Approve Amendment No. 5 to the Subrecipient Agreement with Mercy House Living Centers increasing the compensation by \$500,000 for a total not-to-exceed amount of \$2,050,000 for the administration of the City’s Rental Assistance Program for very low-income households.
2. Authorize a budgetary increase of \$500,000 to be funded by recently granted FEMA reimbursements.
3. Authorize the City Manager and the City Attorney to make all contract amendments as needed, and execute the contract amendment(s).

BACKGROUND:

On October 6, 2020, the City of Costa Mesa (City) executed a Subrecipient Agreement (Agreement) with Mercy House Living Centers (Mercy House) for a Not-To-Exceed (NTE) amount of \$180,321 in CDBG-Coronavirus (CDBG-CV) funds to provide direct financial assistance to very low-income Costa

Mesa households at risk of homelessness due to non-payment of rent.

On June 15, 2021, the City and Mercy House executed Amendment #1 to the Agreement, increasing the compensation by \$150,000 for an updated NTE amount of \$330,321 in CDBG-CV funds and extending the term through June 30, 2022.

On June 21, 2022, the City and Mercy House executed Amendment #2 to the Agreement, increasing the compensation by \$62,312 for an updated NTE amount of \$392,633 in CDBG-CV funds and extending the term through June 30, 2023.

On November 9, 2022, the City and Mercy House executed Amendment #3 to the Agreement, increasing the compensation by \$500,000 in American Rescue Plan Act (ARPA) funds for an updated NTE amount of \$892,633 and extending the term through December 31, 2023.

On June 20, 2023, the City and Mercy House executed Amendment #4 to the Agreement, increasing the compensation by \$1,050,000 utilizing available ARPA funds for an updated not-to-exceed amount of \$1,942,633 (\$392,633 in CDBG-CV and \$1,550,000 in ARPA) and extending the term through December 31, 2024.

As of June 5, 2024, Mercy House expended all awarded funds to assist 113 very low-income Costa Mesa households with direct financial assistance to avoid eviction and retain their housing. Mercy House has continued to accept applications and has a current waiting list of 36 at-risk households. Nineteen (19) of these applications have been preliminarily reviewed and the households are requesting \$118,077 in rental assistance (\$6,215 per household). The remaining 17 applications are temporarily on hold and have not been reviewed. Assuming these requests trend similarly, Mercy House estimates the amount of assistance requested by these 17 households to be roughly \$106,000 for a total current shortfall of \$224,077. Mercy House is estimating the need for an additional \$225,000 to continue to accept new applications and provide rental assistance through the end of the calendar year.

Therefore, based on current and future estimations, staff recommends increasing Mercy House's compensation by \$500,000 for an updated NTE amount of \$2,442,633 to assist the 36 households currently requesting assistance as well as up to 36 additional households over the next six (6) months, if needed.

ANALYSIS:

Mercy House is a local 501(c)(3) organization and has over thirty (30) years of experience providing services to homeless and at-risk households. Mercy House has been a strong partner in the City's work to provide high-quality programs and services to our community, including the successful operation of the Costa Mesa Bridge Shelter, administration of a rental assistance program, and on-site service provision at the newly converted Mesa Vista Apartments (formerly Motel 6). Over the past four (4) years, Mercy House was awarded and has successfully expended nearly \$2 million in rental assistance to keep 113 at-risk households in their homes.

Below are some highlights of the Rental Assistance Program operated by Mercy House:

PURPOSE

- To provide Costa Mesa households with financial assistance to 1) maintain housing at risk of being lost or 2) secure permanent housing for those experiencing homelessness.

ELIGIBILITY

- All Costa Mesa residents earning at or below 50% of the Area Median Income (AMI) are eligible to apply. The income limit is \$55,250 per year for a one (1) person household and \$78,900 per year for a four (4) person household.

ASSISTANCE

- The Program will provide a maximum of six (6) months of rental assistance with no cap on the amount of assistance.
- The Program can provide up to six (6) months of rental arrears, which do not count toward the maximum of six (6) months of rental assistance.
- While enrolled in the Program, no household will pay more than 30% of their adjusted gross income toward rent.

STAFFING

- Mercy House staff assigned to the Program are fluent in English and Spanish.
- Mercy House staff are expected to respond to requests for assistance within 72 hours.

The drastic rise in housing costs over the past several years has made it difficult for many households to afford rent, especially when facing financial hardship due to an unexpected life event. The financial assistance provided by the City to our most vulnerable residents has made a significant impact in mitigating the number of Costa Mesa residents experiencing homelessness. Despite these efforts, requests for rental assistance have not diminished as there is still a great need in our community for direct financial assistance to offset housing costs and maintain housing affordability.

ALTERNATIVES:

The Council can elect to deny the request for additional funds, which would cease operation of the City's rental assistance program.

FISCAL REVIEW:

The rental assistance program was funded from CDBG-CV and later the City's ARPA allocation. However, both these sources of funds are fully expended or committed. Therefore, the additional requested amount of \$500,000 can be funded from newly received FEMA reimbursements of \$837,396, received just last week, for prior year expenditures incurred during the COVID-19 crisis. These funds were deposited into the FY 2023-2024 General Fund.

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 Amendment No. 5 to the Subrecipient Agreement with Mercy House Living Centers increasing the compensation by \$500,000 for a total not-to-exceed amount of \$2,050,000 for the administration of the City's Rental Assistance Program for very low-income households.
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3. Authorize the City Manager and the City Attorney to make all contract amendments as needed, and execute the contract amendment(s).