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Title: APPROVAL OF AMENDMENT TO CITYWIDE RENTAL ASSISTANCE PROGRAM WITH MERCY HOUSE FUNDED BY THE AMERICAN RESCUE PLAN ACT (ARPA)

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TITLE:

APPROVAL OF AMENDMENT TO CITYWIDE RENTAL ASSISTANCE PROGRAM WITH MERCY HOUSE FUNDED BY THE AMERICAN RESCUE PLAN ACT (ARPA)

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER

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

RECOMMENDATION:

Staff recommends the City Council:

1. Approve proposed Amendment No. 3 (Attachment 1) to the Subrecipient Agreement (SRA) with Mercy House Living Centers increasing the compensation by \$500,000 and authorize the appropriation of American Rescue Plan Act (ARPA) funds for program administration for the City's ARPA Rental Assistance Program for lower-income households.
2. Authorize the City Manager and City Clerk to execute all agreements and any amendments to the agreements.

BACKGROUND:

Since March 2020, 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 City's response to the COVID-19 Pandemic included Citywide Rental Assistance programs

funded initially with both CDBG-CV and HOME funding sources. As of this time, all CDBG-CV Rental Assistance funds have been exhausted, and HOME Rental Assistance funds are the only remaining funds available for households with minor children in need of rental assistance and are fully contracted with the non-profit service provider Families Forward.

American Rescue Plan Act (ARPA) Funds

The American Rescue Plan Act (ARPA) of 2021, passed by the United States Congress and signed into law on March 11, 2021, includes \$350 billion of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.

The program ensures that governments have the resources needed to:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts,
- Maintain vital public services, amid declines in revenue, and
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

The City of Costa Mesa was allocated ARPA-SLFRF funds of \$26,481,093, of which 50% was received and expended in FY2020-21 primarily for small business grants and to offset revenue losses and finance increased costs resulting from the pandemic. The other 50% was received in FY2021-22. ARPA-SLFRF eligible use for housing assistance includes development of affordable housing and rental assistance to needy families.

At the June 21, 2022 City Council meeting, the Council approved an appropriation of \$500,000 in American Rescue Plan Act funds to augment the City's HUD-funded Rental Assistance Programs to continue offering much-needed assistance to Costa Mesa renters.

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. Of this amount, a total of \$905,000 was allocated for rental assistance. As of this date, the rental assistance funds have been completely expended.

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 will soon expire but can be extended as needed to close out the final expenditure of all funds.

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. Over the past two years, Mercy House was awarded and has successfully administered \$392,633 in CDBG-CV Rental Assistance funds to keep forty-three (43) at-risk households in their homes, in addition to their operation of the City's Permanent Bridge Shelter.

The CDBG-CV Rental Assistance funds awarded to Mercy House were allocated specifically for assisting individuals and/or households without minor children. However, those funds have been totally expended. The proposed award of \$500,000 in ARPA Rental Assistance funds will be used by Mercy House to assist *both* individuals and families, as outlined in the Scope of Work (Attachment 2).

Below are some highlights of the new ARPA Rental Assistance Program:

PURPOSE

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

ELIGIBILITY

- All Costa Mesa residents earning at or below 50% of the Area Median Income (AMI), or \$67,750 for a family of four, are eligible to apply.

APPLICATION PROCESS

- Mercy House will have two English/Spanish-speaking staff dedicated to supporting interested households in completing and submitting a Program application.
- At launch, Mercy House will host a Rental Assistance Application Workshop where members of the community can receive real-time assistance to complete and submit a Program application.

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 prospective rental assistance.
- While enrolled in the Program, no household will pay more than 30% of their adjusted gross income toward rent.

TERM

- Mercy House projects to expend all funds by December 31, 2023.

PROJECTED ACCOMPLISHMENTS

- Over the Program term, Mercy house projects to assist approximately 54 households with rental assistance and associated services.

ALTERNATIVES:

This item is administrative in nature.

FISCAL REVIEW:

Upon approval by City Council, ARPA funds in the amount of \$500,000 will be appropriated for this program.

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. 3 (Attachment 1) to the Subrecipient Agreement (SRA) with Mercy House Living Centers increasing the compensation by \$500,000, and authorize the appropriation of ARPA funds for program administration for the City's ARPA Rental Assistance Program for lower-income households.
2. Authorize the City Manager and City Clerk to execute all agreements and any amendments to the agreements.