



**DATE:** April 14, 2020

**CATEGORY:** Unfinished Business

**DEPT.:** Community Development

**TITLE:** **Appropriation of CDBG Funds for COVID-19 Rent Relief Program**

### **RECOMMENDATION**

That the City Council approve the appropriation of \$1.134 million in Federal Community Development Block Grant funds to augment the City's COVID-19 Rent Relief Program, composed of the following (Five votes required):

1. Council approval of a substantial amendment to the Fiscal Year 2019-20 Action Plan to provide funding for the COVID-19 Rent Relief Program, which is an eligible Department of Housing and Urban Development activity in response to COVID-19, consisting of:
  - a. Reallocation of \$786,000 of Community Development Block Grant funding, including \$352,000 originally awarded to Palo Alto Housing Corporation's 950 West El Camino Real affordable housing project, \$83,000 from MidPen Housing's Fountain Apartments rehabilitation project, as a result of the Community Development Block Grant funding no longer being needed for either project, and \$351,000 available from prior year allocations.
2. Council appropriation of Community Development Block Grant funds described below for the COVID-19 Rent Relief Program:
  - a. Reallocation of the aforementioned \$786,000 of Community Development Block Grant funding.
  - b. Allocation of \$348,702 of Mountain View's future Community Development Block Grant funds made available through the Federal stimulus Coronavirus Aid, Relief, and Economic Security Act.

## **BACKGROUND**

On March 17, 2020, Council approved a \$500,000 emergency rent relief program for residential tenants in Mountain View who are unable to pay their rent due to COVID-19-related impacts. During that meeting, support was indicated for the potential of additional funding for the COVID-19 Rent Relief Program (C-19 RRP) should there be demand for it. At the time, it was estimated that the funding could serve between 50 and 80 households.

Community Services Agency of Mountain View, Los Altos, and Los Altos Hills (CSA) administers the C-19 RRP on behalf of the City and began accepting applications on March 25, 2020. As of April 8, 2020, at the time this report was written, CSA had received over 1,250 applications for rent relief. Based on an initial assessment, CSA staff estimates that the majority of the applicants would qualify for rent relief based on the program's parameters (initial estimate of 98 percent eligible), and the first set of approved applications resulted in rent checks of approximately \$2,000. Based on these estimates, the overall demand for rent relief far exceeds the initial \$500,000 appropriated for C-19 RRP.

The purpose of this item is for Council to consider allocating the City's various Community Development Block Grant (CDBG) resources to augment C-19 RRP due to significant demand for the program.

## **ANALYSIS**

Staff has identified three groupings of CDBG funds that can be used to augment the C-19 RRP, as summarized below.

### **Group 1 – Reallocation of \$435,000 of Fiscal Year 2019-20 CDBG Funding**

The City receives CDBG funding allocations each year and, in Annual Action Plans, identifies how those funds are to be invested. In Fiscal Year 2019-20, two affordable housing developers, Palo Alto Housing Corporation (PAHC) and MidPen Housing (MidPen), received CDBG allocations that they no longer need. PAHC was able to identify alternative funding sources for its 950 West El Camino Real project, which freed up \$352,000 of CDBG funds for other uses by the City. MidPen realized cost savings from its Fountain Apartments rehabilitation project, which freed up \$83,000. Staff recommends that the remaining CDBG funds from these two projects be reallocated to the C-19 RRP. Both projects will remain whole.

In order to reallocate funds, the Department of Housing and Urban Development (HUD) typically requires cities to hold a minimum 30-day public process, which includes a public hearing by Council, to amend their Action Plans. However, given the COVID-19 pandemic and state of emergency and the necessity for cities to be able to respond to urgent local needs, HUD is allowing cities to request waivers to: (1) shorten the typical 30-day public comment period to five days; and (2) allow grantees to determine what constitutes reasonable public notice and outreach instead of the standard (pre-COVID) noticing and hearing procedures (Attachment 1).

In addition, the Coronavirus Aid, Relief, and Economic Security Act itself waived the 15 percent cap on public services. This is a significant waiver because it allows the City to devote most or all its CDBG funds to public services instead of capital projects. Generally, at least 65 percent of the CDBG allocation must be used on capital projects.

City staff has been actively working with its regional HUD representative to respond to COVID-19 impacts. Based on input from the HUD representative, staff submitted both waiver requests on April 3, 2020 and has received HUD approval. Staff initiated the five-day public review and comment process on April 7, 2020.

### **Group 2—Allocation of \$351,000 from Available Prior Year CDBG Funding Allocations**

In addition to annual CDBG allocations, the City receives CDBG loan repayments, known as program income (PI), from previously funded projects. For example, the City allocates CDBG funding to nonprofits in the community for various projects as loans, and, over time, the loans are repaid. The City has historically estimated \$100,000 of PI in its Annual Action Plans based on the pattern of past repayments over the years. However, the actual amount of PI received can differ from the estimated amount, sometimes widely, for a variety of reasons. PI is typically received sporadically throughout the year as opposed to predictable periodic or lump sum payments; therefore, while PI is an important resource, it can be challenging to estimate and program. As such, in previous years, the City has received a higher amount of PI than estimated.

HUD requires jurisdictions expend their PI funds before expending its annual allocation funds. Therefore, over the years, the City has used PI to pay for CDBG costs. When a large and/or unexpected repayment occurs during the year, this can free up some CDBG funding that was not anticipated. During Fiscal Year 2019-20, the City did receive additional PI that was not anticipated, freeing up \$351,000 for other uses.

Given the significant need for rent relief, staff recommends incorporating this funding allocation into the Annual Action Plan amendment process together with Group 1 funds described above.

**Group 3 – Allocation of \$348,702 of Mountain View’s Future CDBG Funds Made Available through the Federal Stimulus CARES Act**

In response to the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law on March 27, 2020. Included in the CARES Act is additional CDBG funding to support local needs for low- to moderate-income residents, and rent relief is an eligible activity under the Act.

On April 2, 2020, HUD issued the City a letter confirming that Mountain View’s CDBG funding through the Act totals \$348,702. Staff is awaiting additional information on when the City will receive those funds. It is recommended that the full amount of this CDBG funding be allocated to the C-19 RRP given the immediate and overwhelming demand for the program.

Notably, HUD is in the process of: “developing a notice that will further describe the CARES Act’s provisions, a quick guide to the CARES Act flexibilities and other provisions, and other resources to enable swift implementation of CDBG-CV grants. As these become available, they will be posted on HUD’s website and distributed to grantees. The Department will also support grantees with technical assistance.” Staff recognizes that HUD’s response/guidance may be iterative and will continue to actively work with its HUD representative to ensure that the City understands and upholds the most current information and requirements.

**CDBG-Eligible Uses**

HUD has provided jurisdictions significant flexibility in determining eligible uses of CDBG funds during this period. In general, as long as the activity directly addresses the impacts of the COVID-19 crisis, the activity is eligible. As such, in addition to rent assistance, some examples of eligible uses could include: financial assistance for small businesses to help them retain their low-income employees; meals for seniors sheltering in place; construction of emergency shelters for homeless persons; or temporary hotel vouchers for homeless persons.

Staff assessed the eligible uses listed above and is recommending additional funding towards the C-19 RRP project. Council passed a COVID-19-related relief package on March 27, 2020 that included \$400,000 in funding towards a small business assistance program, with additional funding of \$400,000 provided by a corporate donor; \$50,000 in

grocery gift cards for homeless, unstably housed, and seniors in need; and \$100,000 to implement three pilot 24/7 safe parking lots, working in conjunction with the County of Santa Clara. The County has also taken the lead on providing hotel vouchers for homeless persons through the Office of Supportive Housing.

While there are a variety of needs in the community due to COVID-19, staff recommends prioritizing the allocation of all three CDBG groupings detailed above to the City's C-19 RRP due to the immediate and overwhelming need for rent relief. This assistance will quickly provide much-needed stability for tenants (many of whom are lower-income and more vulnerable to COVID-19 impacts) during this time of significant uncertainty. This funding will also help landlords who will directly receive these rent payments.

Importantly, staff does not anticipate that allocating CDBG funds for C-19 RRP would impact the City's affordable housing project pipeline as the primary sources of affordable housing funding are the City's housing impact and Below Market Rate (BMR) funds, the low-income housing tax credit program, and other external funding sources.

### **FISCAL IMPACT**

The three CDBG groupings identified above are from the City's Fiscal Year 2019-20 Federal allocation, PI, and the CARES Act. Council's approval for this item will fully utilize the City's CDBG resources and will provide much-needed funding for the C-19 RRP. There is no impact on the City's General Fund.

### **ALTERNATIVES**

Allocate the CDBG funding towards other eligible uses.

**PUBLIC NOTICING**

As noted earlier, a notice notifying the public of the five-day comment period was sent electronically to organizations and groups on the CDBG/HOME Interested Parties list, persons on the City's Housing Interest list, and posted on the City's web page.

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Attachment: 1. HUD COVID Waiver Dated April 1, 2020