



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: MAY 26, 2020**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT** **WARDS: ALL**

**SUBJECT: PUBLIC HEARING FOR AN AMENDMENT TO THE CITY OF RIVERSIDE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 2019-2020 ANNUAL ACTION PLAN FOR THE USE OF \$3,318,707 IN CORONAVIRUS, AID, RELIEF AND ECONOMIC SECURITY ACT FUNDING – SUPPLEMENTAL APPROPRIATION**

## **ISSUE:**

Adopt the amended 2019-2020 United States Department of Housing and Urban Development Annual Action Plan to incorporate the use of additional funding in the amount of \$3,318,707 in Coronavirus, Aid, Relief and Economic Security Act funding that was signed into law on March 27, 2020.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve an amendment to the 2019-2020 United States Department of Housing and Urban Development Annual Action Plan for the use of Coronavirus, Aid, Relief and Economic Security Act funding in the combined total amount of \$3,318,707 for the Community Development Block Grant, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS programs;
2. Authorize the City Manager, or his designee, to execute the United States Department of Housing and Urban Development grant agreements for the Community Development Block Grant, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS programs;
3. Authorize the preparation of the standard Community Development Block Grant and Housing Opportunities for Persons with AIDS Program Agreements with the City's grantees as identified in the amended 2019-2020 HUD Annual Action Plan, and the Emergency Solutions Grant Program Agreement with the organization selected from the recent Notice of Funding Availability process and authorize the City Manager, or his designee, to execute these agreements including making minor non-substantive changes; and
4. Upon grant award, authorize an increase in revenue in the amount of funds awarded by the United States Department of Housing and Urban Development to the corresponding grant fund and appropriate funds into project accounts identified in the staff report.

## **BACKGROUND:**

As a designated entitlement jurisdiction, the City receives annual federal funding to support projects and programs that provide decent and affordable housing, sustain suitable living environments, and expand economic opportunities for low- and moderate-income persons. On March 27, 2020 the Coronavirus, Aid, Relief and Economic Security (CARES) Act was signed into law. The City was allocated an additional \$3,318,707 through its United States Department of Housing & Urban Development (HUD) entitlement grants for coronavirus response. These funds can be allocated to Program Year 2019-2020 to be used for projects that assist the City in preventing, preparing for, or responding to the coronavirus pandemic. As part of the process for attributing these funds to the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs, an amendment is required to the 2019-2020 HUD Annual Action Plan before the funds can be utilized.

## **DISCUSSION:**

The City was allocated an additional \$3,318,707 through its HUD entitlement grants for coronavirus response. These funds must be allocated to Program Year 2019-2020 to be used for projects that assist the City in preventing, preparing for, or responding to the coronavirus pandemic. The specific amounts are shown in the table below:

|   |                    |
|---|--------------------|
| CARES Community Development Block Grant (CDBG)            | \$1,870,896        |
| CARES Emergency Solutions Grant (ESG)                     | \$968,672          |
| CARES Housing Opportunities for Persons with AIDS (HOPWA) | \$ 479,139         |
| <b>Total</b>  | <b>\$3,318,707</b> |

In order to allocate CARES Act funds to new or existing projects, the City must first submit a 2019-2020 HUD Annual Action Plan amendment to HUD, which describes the new projects, funding amounts, and expected outcomes. The amendment to the 2019-2020 HUD Annual Action Plan will be reflected in an updated version of the plan once approved by City Council. The City's fiscal year (FY) 2019-2020 HUD allocations for these CARES Act programs as well as the proposed activities to be funded are described below:

### **Community Development Block Grant (CDBG) - \$1,870,896**

The City is using the 2019-2020 CDBG CARES Act funding allocation of \$1,870,896 to support the CDBG program in its response to the Coronavirus pandemic. All CDBG activities must show a primary and direct benefit for low to moderate-income people. In order to meet the two goals of assisting low to moderate-income persons and responding to the coronavirus pandemic, the following are activities deemed eligible for CDBG CARES Act funding:

- Building and improvements, Including public facilities;
- Assistance to businesses, including special economic assistance;
- Public services (capped at 15 percent of the grant with some exceptions); and
- Planning, capacity building, and technical assistance.

Specifically, the following activities are permitted as it pertains to utilizing funds for assistance to businesses:

- Grants or loans to support new businesses or business expansion to create jobs and manufacture medical supplies necessary to respond to infectious disease;
- Programs to avoid job loss caused by business closures related to social distancing; and
- Technical assistance, or financial assistance to establish, stabilize and expand microenterprises that support home health and quarantine.

In an effort to assist struggling small businesses owned and operated by low-moderate income individuals, staff recommends that CDBG CARES Act funding will be provided to the United Way of the Inland Valleys to serve as a subrecipient to carry out a Microenterprise Business Grant Program. The program will function to assist local microenterprise businesses with five or fewer employees with one-time grants not to exceed \$7,500. The concept of microenterprise assistance was recently presented at City Council on May 5, 2020. The presentation provided insight as to the urgent need for local support of businesses. Without urgent relief and capital injections, struggling small businesses will need to use their reserves, cut employees, and eventually close permanently. A third-party partnership will improve the status of small businesses and future stability.

#### Emergency Solutions Grant (ESG) - \$968,672

The City received \$968,672 of FY 2019-2020 ESG CARES Act funding to prevent, prepare for, and respond to the coronavirus pandemic among individuals and families who are homeless or receiving homeless assistance and to support additional homeless assistance and homeless prevention activities to mitigate the impacts of COVID-19.

Given the immediate needs faced by communities, HUD has provided the following ESG flexibilities and conditions provided by the CARES Act:

- The funds may be used to cover or reimburse allowable costs incurred by the City before the award of funding (including prior to the signing of the CARES Act) to prevent, prepare for, and respond to COVID-19;
- The funds are not subject to the spending cap on emergency shelter and outreach under 24 CFR 576.100(b)(1), which is the total amount of the recipients fiscal year grant that may be used for street outreach and emergency shelter activities cannot exceed the greater of (1) 60 percent of the recipients fiscal year grant; or (2) the amount of Fiscal Year 2010 grant funds committed for homeless assistance activities;
- Up to 10 percent of the funds may be used for administrative costs, as opposed to 7.5 percent as provided by 24 CFR 576.108(a);
- The funds are exempt from the ESG match requirements, including 24 CFR 576.201;
- The funds are not subject to the consultation and citizen participation requirements that otherwise apply to the Emergency Solutions Grants, however each recipient must publish

how its allocation has and will be used, at a minimum, on the internet at the appropriate government web site or through other electronic media;

- The funds may be used to provide homelessness prevention assistance (as authorized under 24 CFR 576.103 or subsequent HUD notices) to any individual or family who does not have income higher than HUD's Very Low-Income Limit for the area and meets the criteria in paragraphs (1)(ii) and (1)(iii) of the "at risk of homelessness" definition in 24 CFR 576.3; and
- That recipients may deviate from applicable procurement standards when using these funds to procure goods and services to prevent, prepare for, and respond to coronavirus, notwithstanding 24 CFR 576.407(f) and 2 CFR 200.317-200.326.

During the drafting of this staff report, the City was in the process of releasing a Notice of Funding Availability (NOFA) for the use of these funds. As such, the recommended organization for implementing these funds is unknown at this time.

#### *Housing Opportunities for Persons with AIDS (HOPWA) - \$479,139*

The City is using the FY 2019-2020 HOPWA CARES Act funding allocation of \$479,139 to support the HOPWA program in its response to the Coronavirus pandemic. The City has been designated by HUD as the eligible metropolitan service area (EMSA) grantee to administer the HOPWA funding for both Riverside and San Bernardino counties. These funds may be used to support eligible HOPWA activities as long as they are consistent with the City's community needs for COVID-19 preparedness and response. Eligible activities include protecting persons living with HIV/AIDS through self-isolation and quarantine or providing other coronavirus infection control services as recommended by the Centers for Disease Control and Prevention for household members not living with HIV/AIDS.

Specifically, recipients of the supplemental grant funds authorized under the CARES Act may use funding for activities such as stays at hotels, motels, or other locations to self-isolate, quarantine, or provide other infection control for HOPWA-eligible individuals or their family members. Providing transportation services for eligible households to access medical care, supplies, and food or to commute to places of employment is also an eligible use of these funds. Funding recommendations for HOPWA CARES Act funding are as follows: \$28,748 for City of Riverside administration; \$225,195 for the current San Bernardino County HOPWA subrecipient Foothill AIDS Project; and \$225,196 for the current Riverside County subrecipient Riverside County Housing Authority.

#### **FISCAL IMPACT:**

Upon grant award, estimated revenues and expenditures will be appropriated in the amount of \$3,318,707 to the respective program accounts as identified in the table:

| <b>Program</b>                                   | <b>Revenue Account</b> | <b>Expenditure Account</b> | <b>Amount</b> |
|--|------------------------|----------------------------|---------------|
| United Way – CARES                               | 2835500-331100         | 2835500-450074             | \$1,496,717   |
| CARES – Administration Allowance                 | 2835500-331100         | 2835500-884220             | \$374,179     |
| CARES Emergency Solutions Grant (ESG)            | 9170300-331100         | 9170300-440110             | \$968,672     |
| CARES HOPWA – Riverside County Housing Authority | 2835300-331100         | 2835300-450410             | \$225,196     |
| CARES HOPWA – Foothill Aids                      | 2835300-331100         | 2835300-453207             | \$225,195     |
| CARE HOPWA – Administration Allowance            | 2835300-331100         | 2835300-884220             | \$28,748      |

Prepared by: David Welch, Community & Economic Development Director  
 Certified as to  
 availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
 Approved by: Rafael Guzman, Assistant City Manager  
 Approved as to form: Gary G. Geuss, City Attorney

Attachment: Presentation