

City Council

Date: June 1, 2020

To: City Council

Through: Natalie Lewis, Deputy City Manager
Ruth Giese, Community Services Director

From: Michelle Albanese, Housing and Community Development Director

Subject: Second Substantial Amendment to FY2019/2020 Annual Action Plan
and First Substantial Amendment to the 2015-2019 Five-Year Plan
Council Districts: City Wide

Purpose and Recommendation

In response to City Council direction on April 30, 2020 and in accordance with HUD regulations, staff is bringing this amendment forward to receive Emergency Solutions Grant – COVID (ESG-CV) funding awarded to the City of Mesa through the Coronavirus Aid, Recovery and Economic Security Act (“CARES Act”) and reprogram FY 2019/2020 Community Development Block Grant (CDBG) funding in response to the Coronavirus (“COVID-19”) pandemic.

The purpose of this report is to request that City Council approve a resolution authorizing the City of Mesa’s Second Substantial Amendment to the FY 2019/2020 Annual Action Plan (“AAP”) and the Third Substantial Amendment to the 2015-2019 Five-Year Consolidated Plan (“Consolidated Plan”) (collectively, the “Amendments”) for submittal to the U.S. Department of Housing and Urban Development (“HUD”). Authorization is requested to approve the funding recommendations with a resolution authorizing the City Manager to proceed with submittal of the Amendments to HUD to reprogram FY2019/2020 Community Development Block Grant (“CDBG”) and receive Emergency Solutions Grant - COVID (“ESG-CV”) program funding, and authorizing the disbursement and expenditure of funds received pursuant to the amendments.

The City will receive \$1,130,003 in additional funding through the ESG-CV program to prevent, respond to, and mitigate the effects of COVID-19. Additionally, the Amendment reallocates existing unprogrammed CDBG funds in the amount of \$600,000 to eligible activities to assist persons financially impacted by COVID-19.

City Council approved funding recommendations for ESG-CV funds at the April 30, 2020 Study Session. City staff is proposing City Council approve the Amendments allocating \$1,017,003 (\$1,130,003 less 10% program administration) in ESG-CV funds and

\$600,000 in CDBG funds for the following activities:

ESG-CV FUNDING			
Agency	ACTIVITY	FUNDING	AMOUNT
A New Leaf, Inc <i>Emergency Shelter</i>	Expansion of 20 beds allowing for social distancing	ESG-CV	\$264,445
Community Bridges <i>Street Outreach</i>	Outreach to persons experiencing homelessness, providing basic resources and shelter, and rapidly rehouse individuals and families to prevent the spread of COVID-19	ESG-CV	\$80,000
Mesa United Way <i>Emergency Shelter</i>	Provide emergency and gap shelter for persons experiencing homelessness through the emergency hotel stay program to prevent the spread of COVID-19 and provide quarantine space	ESG-CV	\$100,000
Save the Family <i>Rapid Rehousing</i>	Provide housing location services, rent and utility deposits, rental subsidies and supportive services for 6-9 months to homeless families to reduce the spread of COVID	ESG-CV	\$214,100
Save the Family <i>Homeless Prevention</i>	Provide emergency assistance for over-due rent, late fees, current rent, and utilities to individuals and families financially impacted by COVID-19	ESG-CV	\$358,485
City of Mesa <i>Eviction Prevention</i>	Provide emergency rent and mortgage assistance for a maximum of 3-months for individuals and families financially impacted by COVID-19	CDBG	\$600,000

Background

The City's Consolidated Plan identifies housing and community development priorities. The AAP for FY 2019/2020 contains the goals and strategies for the fiscal year, including specific activities recommended for funding through the CDBG, ESG, and HOME programs. These federal formula grant program funds are allocated annually to the City from HUD. The AAP is a formal application to HUD, made by the City, which describes the specific projects and activities that will take place during the FY 2019/2020 program year.

Regulatory Basis

The AAP is required to be consistent with the Consolidated Plan, approved by City Council on April 20, 2015, which sets forth the City's objectives for the availability, accessibility, affordability, and sustainability of: 1) decent housing; 2) a suitable living environment; and 3) economic opportunity. The AAP attempts to achieve these objectives through targeted efforts to address priority affordable housing, homeless, special needs and community development (non-housing) issues.

24 CFR 91.505 requires the City of Mesa amend its approved Consolidated Plan whenever it plans to:

1. Make a change in its allocation priorities or a change in the method of distribution of funds;
2. Carry out an activity, using funds from any program covered by the Consolidated Plan, not previously described in the AAP; or
3. Change the purpose, scope, location or beneficiaries of an activity.

The regulation further requires that the City identify in its Citizen Participation Plan the criteria used for determining what constitutes a substantial amendment. The City's approved Consolidated Plan notes that a substantial amendment will be necessary when there is a proposed change in activity, scope or funding that deviates significantly from the overall intent of the most recent Consolidated Plan. The proposed changes in the Amendment meet one of these criteria, thus requiring a substantial amendment.

Discussion

The Amendments are necessary because the City is:

1. Receiving ESG-CV program funds through the CARES Act which are not included in the AAP and Consolidated Plan;
2. Proposing to allocate ESG-CV program funds to eligible activities to prevent, respond to, and mitigate impacts of COVID-19; and
3. Proposing to reallocate (reprogram) CDBG program funds approved for the FY 2019/2020 to COVID-19 eligible activities.

On April 9, 2020 HUD issued a waiver of flexibility for CDBG funds used to support COVID-19 response. HUD reduced the 30-day public comment period for substantial amendments to the Consolidated Plan and AAP to five days, which was updated in the Citizen Participation Plan. The public comment period for the Amendments and Citizen Participation Plan began May 4, 2020 and concluded on May 8, 2020. Two comments were received and is included as an attachment to the Second Substantial Amendment to the AAP.

Fiscal Impact

HUD requires a substantial amendment for both the Consolidated Plan and AAP in order to use \$1,017,003 of ESG-CV funding and allocate \$600,000 in unprogrammed funds to a new activity. When the City Council approves a substantial amendment to an annual action plan, this is incorporated into the Consolidated Plan, but as the

Consolidated Plan specifically needs to be amended in order to account for COVID-19 funding and activities, City staff is proposing a specific amendment to the Consolidated Plan in addition to the amendment to the AAP.

Alternatives

Staff has identified alternatives regarding the Amendments.

1. Approve the Amendments – Approval of the Amendments and funding recommendations will allow the City to award ESG-CV and CDBG funds to eligible activities to prevent, respond to and mitigate impact of COVID-19.
2. Make changes to the funding recommendations – Make changes to the proposed funding recommendations for the use of ESG-CV and CDBG funds. This is permitted but would require completing a new substantial amendment to both the AAP and Consolidated Plan, and republishing a public notice for public comment. This would delay the use of funds to address critical needs in the community, as a result of COVID-19.
3. Deny the funding recommendations and the Amendments – The Council could choose to deny the funding recommendations and Amendments. This alternative prevents the City of Mesa from receiving federal ESG-CV funds from HUD and utilizing CDBG funds for an eligible activity.

Coordinated With

The proposed Amendments were released to the public, applicants, and other city departments for review and/or comment and met the 5-day comment period for citizen participation set forth by HUD for participation in these federal programs.