

City Council

Date: May 17, 2021

To: City Council

Through: Natalie Lewis, Deputy City Manager

From: Ruth Giese, Community Services Director
Michelle Albanese, Housing and Community Development Director

Subject: Third Substantial Amendment to FY2019/2020 Annual Action Plan and
Fourth Substantial Amendment to the 2015-2019 Five-Year Plan for
Emergency Solution Grant COVID (ESG-CV-2)
Council Districts: Citywide

Purpose and Recommendation

This Substantial Amendment is brought forward to City Council to receive Emergency Solutions Grant – COVID (“ESG-CV-2”) funding awarded to the City of Mesa through the Coronavirus Aid, Recovery and Economic Security Act (“CARES Act”) in the amount of \$4,052,229, and to clarify and approve ESG-CV-2 funding recommendations for eligible programs to serve homeless populations in Mesa during and impacted by the pandemic.

The purpose of this report is to request that City Council approve a Resolution approving the third Substantial Amendment to the FY 2019-2020 Annual Action Plan (“AAP”) and the fourth 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”), and authorizing the City Manager or his designated representative, to amend, sign, and submit the Amendments to the U.S. Department of Housing and Urban Development, and authorizing disbursement of funds received pursuant to the Amendments.

The City will receive \$4,052,229 in additional funding through the ESG-CV-2 program to prevent, respond to, and mitigate the effects of COVID-19 and allocate funding to eligible activities to assist persons impacted by COVID-19.

City Council approved funding recommendations for ESG-CV-1 funds at the April 30, 2020 Study Session. Contracts were awarded to recommended agencies to administer eligible programs and services to the community in response to the Corona Virus Pandemic.

City staff is proposing City Council approve the Amendments allocating \$3,647,006 in ESG-CV-2 funds to non-profit agencies for eligible activities and \$405,223 to the City of Mesa for program administration as presented on Attachment A. Any remaining funds will be reprogrammed to other eligible COVID activities. For example, some of the funding will go to Operation Off the Streets to help in leasing studio apartments at the {00400079.1}

hotel that could be used for homeless and/or pandemic-dislocated families; or to ensure there are special rooms prepared and available for homeless with pets; or to provide expanded wrap-around services to participants.

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-2 program funds through the CARES Act which are not included in the AAP and Consolidated Plan;
2. Proposing to allocate ESG-CV-2 program funds to eligible activities to prevent, respond to, and mitigate impacts of COVID-19.

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 Amendments will be made available during a 5-day

Public Comment period prior to City Council approval on June 21, 2021 and any comments received will be included as an attachment to the Amendments.

Fiscal Impact

HUD requires a substantial amendment for both the Consolidated Plan and AAP in order to use \$4,052,229 of ESG-CV-2 funding for eligible programs and services. 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-2 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-2 funds. This is permitted but would require completing a new substantial amendment to both the AAP and Consolidated Plan and publishing 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-2 funds from HUD for eligible activities.