

# **EXECUTIVE SUMMARY**

## HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

#### MEETING DATE: April 1, 2022

HCR22-063

SUBJECT: Authorization for the San Diego Housing Commission (Housing Commission) to Accept and Expend Additional Federal Emergency Rental Assistance (ERA1) Funds Allocated by the U.S. Department of the Treasury to the City of San Diego to Support the COVID-19 Housing Stability Assistance Program (HSAP); Authorization for the Housing Commission to Accept and Expend State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds Pursuant to State Senate Bill 115 to Support HSAP; Recommendation for San Diego City Council Authorization to Transfer ERA1 Funds to the Housing Commission for HSAP; Recommendation for San Diego City Council Authorization for the City of San Diego to Apply for SRA Funds and Enter into, Execute and Deliver SRA Loan Award Documents, Including a Standard Agreement with the State of California, and to Transfer These Funds to the Housing Commission; and Approval of Related Actions

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Rental Assistance Division

CONTACT/PHONE NUMBER: Azucena Valladolid (619) 578-7604

#### **REQUESTED ACTION:**

Authorize the San Diego Housing Commission (Housing Commission) to accept and expend \$7,133,772.56 in federal Emergency Rental Assistance (ERA1) funds, which the U.S. Department of the Treasury has allocated directly to the City of San Diego, to support the COVID-19 Housing Stability Assistance Program (HSAP); authorize the Housing Commission to accept and expend up to \$96,291,294.59 in State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to support HSAP; recommend that the San Diego City Council (City Council) authorize the City of San Diego to transfer \$7,133,772.56 in ERA1 funds to the Housing Commission for HSAP; recommend that the City Council authorize the City of San Diego to apply for SRA funds, enter into, execute and deliver State Rental Assistance Loan Award documents, including a Standard Agreement with the State of California, for these funds, and transfer the funds to the Housing Commission; and approve related actions in this report.

## EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) administers and operates the City of San Diego COVID-19 Housing Stability Assistance Program (HSAP), which helps pay rent and utilities for households with low income in the City of San Diego that experience financial hardship due to or during the ongoing COVID-19 pandemic.
- As of March 22, 2022, HSAP has made payments totaling \$188,709,987.91 to help 16,488 qualifying households.
- All of the funding previously authorized for HSAP has been fully obligated to assist households with low income, including applicants who have preliminary approval, subject to review and confirmation of their documentation. The total obligations for assistance payments still exceed the available funding to help qualifying households.
- On March 14, 2022, the U.S. Department of the Treasury informed the City of San Diego that it awarded \$7,133,772.56 in reallocated funds to the City of San Diego for HSAP.
- State Senate Bills (SB) 115 authorizes eligible local jurisdictions to request cash flow loans from the state for expenditures from complete, eligible applications received on or before March 31, 2022, for rent and utilities due during or before March 2022.
- Additional federal funding would be used to repay the loan. If the anticipated federal funding is not received by June 30, 2023 or is insufficient to repay the loan, the state would forgive the amount not covered by the federal allocation.
- If the actions proposed in this report are approved, the Housing Commission will continue to administer HSAP.



#### DATE ISSUED: March 24, 2022

#### **REPORT NO: HCR22-063**

- **ATTENTION:** Chair and Members of the San Diego Housing Commission For the Agenda of April 1, 2022
- SUBJECT: Authorization for the San Diego Housing Commission (Housing Commission) to Accept and Expend Additional Federal Emergency Rental Assistance (ERA1) Funds Allocated by the U.S. Department of the Treasury to the City of San Diego to Support the COVID-19 Housing Stability Assistance Program (HSAP); Authorization for the Housing Commission to Accept and Expend State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds Pursuant to State Senate Bill 115 to Support HSAP; Recommendation for San Diego City Council Authorization to Transfer ERA1 Funds to the Housing Commission for HSAP; Recommendation for San Diego City Council Authorization for the City of San Diego to Apply for SRA Funds and Enter into, Execute and Deliver SRA Loan Award Documents, Including a Standard Agreement with the State of California, and to Transfer These Funds to the Housing Commission; and Approval of Related Actions

## **COUNCIL DISTRICT:** Citywide

#### **REQUESTED ACTION**

Authorize the San Diego Housing Commission (Housing Commission) to accept and expend \$7,133,772.56 in federal Emergency Rental Assistance (ERA1) funds, which the U.S. Department of the Treasury has allocated directly to the City of San Diego, to support the COVID-19 Housing Stability Assistance Program (HSAP); authorize the Housing Commission to accept and expend up to \$96,291,294.59 in State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to support HSAP; recommend that the San Diego City Council (City Council) authorize the City of San Diego to transfer \$7,133,772.56 in ERA1 funds to the Housing Commission for HSAP; recommend that the City Council authorize the City of San Diego to apply for SRA funds, enter into, execute and deliver State Rental Assistance Loan Award documents, including a Standard Agreement with the State of California, for these funds, and transfer the funds to the Housing Commission; and approve related actions in this report.

## **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) and the San Diego City Council (City Council) take the following actions:

#### **Housing Authority:**

 Authorize the Housing Commission to amend its Fiscal Year 2022 budget in the amount of \$7,133,772.56 in federal Emergency Rental Assistance Program (ERA1) funds, which the U.S. Department of the Treasury allocated directly to the City of San Diego, to be administered by the Housing Commission to provide rental assistance and/or utility assistance to households with

low income in the City of San Diego that experience financial hardship due to or during the COVID-19 pandemic and to cover administrative expenses in accordance with federal and state funding requirements.

- 2) Authorize the Housing Commission to accept and expend up to \$96,291,294.59 in State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to support the City of San Diego COVID-19 Housing Stability Assistance Program, to be administered by the Housing Commission to provide rental assistance and/or utility assistance to households with low income in the City of San Diego that experience financial hardship due to or during the COVID-19 pandemic and to cover administrative expenses in accordance with state funding requirements.
- 3) Authorize the Housing Commission to amend its Fiscal Year 2022 budget in the amount up to \$96,291,294.59 in SRA Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to support the City of San Diego COVID-19 Housing Stability Assistance Program. If necessary, the continuing disbursement of approved funds would be included in the Housing Commission's Fiscal Year 2023 budget, which will be presented separately to the Housing Authority for consideration in June 2022.
- 4) Authorize the Housing Commission's Interim President & CEO, or designee, to modify the COVID-19 Housing Stability Assistance Program, if necessary, but only if and to the extent that such changes comply with the terms of the executed amended Memorandum of Understanding (MOU) between the Housing Commission and the City of San Diego for the oversight and administration of the COVID-19 Housing Stability Assistance Program and are necessary to fulfill federal and state funding requirements. Housing Commission staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the COVID-19 Housing Stability Assistance Program and other required documents, including amendments to any documents.
- 5) Authorize the Housing Commission's Interim President & CEO, or designee, to substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the Interim President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of the General Counsel.
- 6) Authorize the Housing Commission's Interim President & CEO, or designee, to execute all necessary documents and instruments that are necessary and/or appropriate to implement these approvals, in a form and format approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, are submitted to each Housing Commissioner in advance of approval for the designee to sign.

## **City Council:**

 Authorize the City of San Diego's Chief Financial Officer, or designee, to accept, appropriate and expend an amount of \$7,133,772.56 in federal Emergency Rental Assistance Program (ERA 1) funds, allocated by the U.S. Department of the Treasury directly to the City of San Diego, to

the San Diego Housing Commission for the City's COVID-19 Housing Stability Assistance Program (HSAP), contingent upon the funds being secured for HSAP.

- 2) Authorize the City of San Diego to apply for up to \$96,291,294.59 in State of California Rental Assistance (SRA) Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to support the City of San Diego COVID-19 Housing Stability Assistance Program, to be administered by the Housing Commission to provide rental assistance and/or utility assistance to households with low income in the City of San Diego that experience financial hardship due to or during the COVID-19 pandemic and to cover administrative expenses in accordance with state funding requirements.
- 3) Authorize the City of San Diego's Chief Financial Officer, or designee, to accept, appropriate and expend an amount not to exceed \$96,291,294.59 in SRA Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to support the City of San Diego COVID-19 Housing Stability Assistance Program.
- 4) Authorize the City of San Diego's Chief Financial Officer, or designee, to transfer an amount not to exceed \$96,291,294.59 to the Housing Commission to be administered for the City of San Diego COVID-19 Housing Stability Assistance Program, contingent upon the funds being secured for this program.
- 5) Authorize Mayor Todd Gloria, or designee, to enter into, execute and deliver SRA Loan Award documents, including a Standard Agreement with the State of California, in an amount not to exceed \$96,291,294.59 for the Short-Term Cash Flow Loan Funds.
- 6) Authorize Mayor Todd Gloria, or designee, to execute the SRA Loan Award documents on behalf of the City of San Diego for participation in the SRA program.
- 7) Authorize the City of San Diego to assume responsibility for administering the loan award in accordance with all State SRA Loan Award requirements.

## **SUMMARY**

The Housing Commission administers and operates the City of San Diego COVID-19 Housing Stability Assistance Program (HSAP), which helps pay rent and utilities for households with low income in the City of San Diego that experience financial hardship due to or during the ongoing COVID-19 pandemic. The City Council (Agenda Item No. 603; Resolution No. 313439) and Housing Authority (Report No. HAR21-010; Resolution No. HA-1900) authorized HSAP and initial funding for the program on February 22, 2021. These approvals included budgeting \$83,705,260.75 for assistance payments to qualifying households.

The Housing Commission launched the online application portal for HSAP on March 15, 2021. As of March 21, 2022, at 10 a.m., 45,105 applications have been submitted, including 13,511 individuals who updated previously submitted information and/or requested additional assistance, and 38,571 additional applications have been started and are pending completion. The application remains open at <u>covidassistance.sdhc.org</u>, and additional applications are submitted daily.

The Housing Commission began disbursing payments in late April 2021 to help qualifying households. As of March 21, 2022, the Housing Commission has disbursed \$187,803,799.36 to help 16,441 qualifying households. Additional payments are disbursed each business day in accordance with the Housing Commission's posted operating hours.

In March 2021, the U.S. Congress enacted the American Rescue Plan Act (ARPA), which President Joe Biden signed into law on March 11, 2021. The City of San Diego received an allocation of \$54,539,063.20 in ARPA funds directly from the U.S. Department of the Treasury. These funds supported the operation of HSAP to help households that need help paying their rent and utilities to avoid being displaced from their homes. In addition, on June 23, 2021, the State of California transferred an additional \$5,610,840.67 in funding for which the Housing Commission requested Housing Authority and City Council approval on July 27, 2021, to expend on HSAP assistance payments and administrative expenses in accordance with State funding requirements. The \$60,149,903.87 was approved by the City Council (Agenda Item No. 331, Resolution No. R-313667) and Housing Authority (Report No. HAR21-015; Resolution No. HA-1921) for HSAP, of which \$51,484,860.16 was budgeted for assistance payments. The July 27, 2021, Housing Authority and City Council actions also approved a first amendment to the MOU between the Housing Commission and the City for the Housing Commission to continue to oversee and administer HSAP with the additional funds.

In addition, the State of California allocated \$39,712,779.17 of federal ARPA funds to the City of San Diego for HSAP assistance payments and program administration. On October 5, 2021, the City Council (Agenda Item No. 331; Resolution No. R-313732) and Housing Authority (Report No. HAR21-020; Resolution No. HA-1923) authorized the acceptance of these funds from the State and the expenditure of these funds on HSAP assistance payments and administrative expenses in accordance with federal and State funding requirements. The City Council and Housing Authority also approved a second amendment to the MOU between the City and the Housing Commission for the administration and oversight of HSAP to incorporate the \$39,712,779.17 of federal ARPA funds the State allocated to the City of San Diego and reflect the reallocation of CARES Act Community Development Block Grant (CDBG-CV) funds for use on a new eviction prevention and education program, which the Housing Commission would oversee through a separate agreement with the City of San Diego. In addition, the approved MOU amendment included updated program guidelines to allow HSAP to provide relocation assistance to eligible households that have been displaced during the pandemic, as permitted by U.S. Treasury Department guidelines that were revised on August 25, 2021.

At the Housing Commission's request, the State also allocated an additional \$27,000,000 to the City of San Diego for HSAP. On December 6, 2021, the City Council (Agenda Item No. 202; Resolution No. R-313800) and the Housing Authority (Report No. HAR21-027; Resolution No. HA-1931) authorized the use of these funds for the HSAP and a third amendment to the MOU between the Housing Commission and the City of San Diego for the administration and oversight of the program to incorporate these funds.

The Housing Commission continued to work with the office of Mayor Todd Gloria on efforts to obtain additional funding to continue to provide assistance to families with low income experiencing financial hardship due to or during the COVID-19 pandemic. The U.S. Department of the Treasury developed a process for the reallocation of federal emergency rental assistance funds. This potential reallocation included making additional funds available to high-performing agencies based on demonstrated need. On October 29, 2021, the Housing Commission submitted a formal request to the U.S. Department of

the Treasury for \$115 million in reallocated funds to support HSAP. The Treasury Department on January 7, 2022, announced the reallocation of funds, including the \$8,308,615 allocated directly to the City of San Diego in response to the Housing Commission's request. On March 1, 2022, the City Council (Resolution No. 313945) and the Housing Authority (Resolution No. HA-1937) authorized the use of the \$8,308,615 in reallocated federal funds to support HSAP.

All of the funding the City Council and Housing Authority have authorized for HSAP has been fully obligated to assist households with low income, including applicants who have preliminary approval, subject to review and confirmation of their documentation. The total obligations for assistance payments still exceed the available funding to help qualifying households.

The U.S. Department of the Treasury also published a notice allowing jurisdictions to reapply for an additional reallocation of funds. On January 18, 2022, the Housing Commission submitted a formal request for \$96,291,294.59 in additional funding based on an analysis of the program's projected need through May 2022. On March 14, 2022, the U.S. Department of the Treasury informed the City of San Diego that it awarded \$7,133,772.56 in reallocated funds to the City of San Diego.

On February 7, 2022, California State lawmakers passed Senate Bill (SB) 115, which California Governor Gavin Newsom signed into law February 9, 2022. This legislation authorized eligible local jurisdictions and federally recognized tribal governments to request cash flow loans from the California Department of Housing and Community Development (HCD) for Emergency Rental Assistance Program expenditures. Such expenditures must be for complete, eligible applications by households that were received on or before March 31, 2022 for rent and utilities due on or before March 2022, including administrative costs that are consistent with the provisions of Chapter 17 (commencing with Section 50897) of Division 31 of Part 2 of the Health and Safety Code, as applicable. SB 115 was intended to provide local programs with immediate cash, in the form of temporary cash flow loans, to maximize rental relief to all eligible households as the local programs await additional federal funding from either ERA1 or ERA2. If the anticipated federal funding is not received by June 30, 2023, is insufficient to repay the loan and/or if such funds cannot be utilized for reimbursements, the California Department of Finance will forgive an amount up to the amount not covered by the federal allocation.

As authorized by SB 115, HCD will make such cash flow loans available pursuant to terms and conditions developed by HCD. Such terms and conditions may include, but are not limited to, reporting; a repayment schedule; interest charged, if applicable, at the rate earned by moneys in the Pooled Money Investment Account; and remittance mechanisms that include the withholding of future state and federal funding administered by HCD.

The City of San Diego participates in the SRA program under "Option B," as that term is defined in subdivision (i) of Section 50897 of the Health and Safety Code, consistent with the State's implementation of Chapter 17 (commencing with Section 50897) of Division 31 of Part 2 of the Health and Safety Code.

The Housing Commission acknowledges that SRA Loan Award funds administered in HSAP is subject to and shall be administered in accordance with the State's requirements for Round 2 of the SRA Program, including, without limitation, the applicable requirements of Assembly Bill (AB) 832; SB 115; HCD's SRA Program Guidelines, dated September 27, 2021; and all such requirements as may be subsequently amended.

If the actions proposed in this report are approved, the Housing Commission will continue to administer HSAP pursuant to the amended MOU between the Housing Commission and the City of San Diego and federal and state regulations. The Housing Authority's actions on December 6, 2021, allow additional related funds to be added to HSAP "without further amendment to the MOU upon appropriation by the City of San Diego and budget approval by the Housing Authority of the City of San Diego (Housing Authority) for amounts in excess of \$500,000" (Resolution No. HA-1931).

## AFFORDABLE HOUSING IMPACT

With the authorization to expend \$7,133,772.56 in reallocated federal ERA1 funds and up to \$96,291,294.59 in SRA Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115, HSAP will continue to help prevent housing displacement among low-income households. This program will help pay rent and utilities for additional eligible households that experience financial hardship due to or during the ongoing COVID-19 pandemic.

## EQUAL OPPORTUNITY/CONTRACTING/EQUITY ASSURANCE

The Housing Commission will continue to ensure HSAP is implemented equitably and in accordance with the Nondiscrimination section of the HSAP Implementation Plan.

## FISCAL CONSIDERATIONS

The funding proposed by this action was not included in the Housing Commission's Housing Authorityapproved Fiscal Year 2022 Budget. Approving this action will authorize the Housing Commission to accept and expend \$7,133,772.56 in reallocated federal ERA1 funds and up to \$96,291,294.59 in SRA Program Emergency Rental Assistance Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115 to oversee and administer HSAP. If necessary, the continuing disbursement of approved funds would be included in the Housing Commission's Fiscal Year 2023 budget, which will be presented separately to the Housing Authority for consideration in June 2022.

Funding Sources	
Reallocated Federal ERA1 Funds:	\$7,133,772.56
SRA Program Emergency Rental Assistance	
Short-Term Cash Flow Loan Funds pursuant to State Senate Bill 115:	\$96,291,294.59
Total:	\$103,425,067.15
Funding Uses	
COVID-19 Housing Stability Assistance Program Assistance Payments:	\$88,267,995.71
COVID-19 Housing Stability Assistance Program Administration:	<u>\$15,157,071.44</u>
Total:	\$103,425,067.15

## PREVIOUS COUNCIL AND/OR COMMITTEE ACTION

On October 13, 2020, the San Diego City Council unanimously approved the allocation of \$5,000,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act Community Development Block Grant (CDBG-CV) funds to support the City of San Diego COVID-19 Emergency Rental Assistance Program (Resolution No. R-313256).

On December 8, 2020, due to technical difficulties, the San Diego City Council and the Housing Authority continued to December 15, 2020, a report requesting authorization to execute an amended MOU between the Housing Commission and the City of San Diego to continue the oversight and administration of the City's COVID-19 Emergency Rental Assistance Program and to take related actions.

On December 15, 2020, the San Diego City Council and the Housing Authority returned to staff a report requesting authorization to execute an amended MOU between the Housing Commission and the City of San Diego (City) to continue the oversight and administration of the City's COVID-19 Emergency Rental Assistance Program and to take related actions.

On February 22, 2021, the San Diego City Council (Agenda Item No. 603; Resolution No. 313439) and Housing Authority (Report No. HAR21-010; Resolution No. HA-1900) authorized the City of San Diego to transfer \$92,211,316.57, which consists of \$42,333,563 in Coronavirus Relief Funds allocated directly to the City, \$44,877,753.57 in federal funds allocated by the State of California to the City, and \$5,000,000 of CDBG-CV funds from the City to the Housing Commission; and authorized the Housing Commission to accept and expend those funds to administer the COVID-19 Housing Stability Assistance Program to provide emergency rental assistance and/or utility assistance to households with low income experiencing financial hardship due to the ongoing COVID-19 pandemic.

On July 27, 2021, the City Council (Agenda Item No. 331, Resolution No. R-313667) and the Housing Authority (Report No. HAR21-015; Resolution No. HA-1921) authorized up to \$60,149,903.87 in additional funds for HSAP, consisting of the direct allocation of ARPA funds (\$54,539,063.20) and the aforementioned additional \$5,610,840.67 from the State.

On October 5, 2021, the City Council (Agenda Item No. 331; Resolution No. R-313732) and Housing Authority (Report No. HAR21-020; Resolution No. HA-1923) authorized up to \$39,712,779.17 in additional funds for HSAP, consisting of federal ARPA funds allocated by the State to the City.

On December 6, 2021, the City Council (Agenda Item No. 202; Resolution No. R-313800) and the Housing Authority (Report No. HAR21-027; Resolution No. HA-1931) authorized the use of an additional \$27,000,000 in funds the State allocated to the City of San Diego for HSAP and a third amendment to the MOU between the Housing Commission and the City of San Diego for the administration and oversight of the program to incorporate these funds.

On March 1, 2022, the City Council (Resolution No. 313945) and the Housing Authority (Resolution No. HA-1937) authorized the use of \$8,308,615 in federal funds reallocated to the City of San Diego from other jurisdictions to support HSAP.

## **KEY STAKEHOLDERS and PROJECTED IMPACTS**

Stakeholders for this project include households with low income in the City of San Diego experiencing financial hardship due to or during the COVID-19 pandemic, landlords and property owners for these households, and the Housing Commission. This action is expected to have a positive impact on the community by helping qualifying households pay past-due rent and utilities to assist with preventing housing displacement.

#### **ENVIRONMENTAL REVIEW**

This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and CEQA Guidelines Section 15378(b)(5), as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes to the environment.

Federal funds constitute a portion of the funding for the project. This project most recently received NEPA approval from the City of San Diego on January 21, 2022. NEPA clearance for the additional funding in this report was submitted to the City of San Diego on March 23, 2022. The parties agree that the provision of any federal funds as a result of this action is conditioned on the City of San Diego's final NEPA review and approval.

Respectfully submitted,

Axucena Valladolid

Azucena Valladolid Executive Vice President Rental Assistance & Workforce Development San Diego Housing Commission

Approved by,

Jeff Davis

Jeff Davis Deputy Chief Executive Officer San Diego Housing Commission

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.