



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Ragan Henninger

SUBJECT: SEE BELOW

DATE: June 24, 2021

Approved

Date

6/25/2021

SUBJECT: CITY'S COVID-19 RESPONSE: EMERGENCY RENTAL ASSISTANCE PROGRAM

RECOMMENDATION

Adopt a resolution:

- (a) Accepting \$14,511,155 in Emergency Rental Assistance Phase 2 funds from the U.S. Department of the Treasury and ratifying the City Manager's signing of the award terms;
- (b) Authorizing the City Manager to negotiate and execute the following agreements, including any amendments and revisions to said agreements and any necessary documents to effectuate the grant, to use Emergency Rental Assistance Phase 2 Funds to provide assistance to San José tenants and landlords who have been negatively impacted by the COVID-19 pandemic:
 - (1) With Sacred Heart Community Service, a grant agreement in an amount not to exceed \$3,265,010 to provide rental assistance, utility relief, and other eligible housing assistance to San José residents, as well as to fund case management and outreach efforts to connect San José residents with rental assistance, utility relief, and other housing assistance.
 - (2) With the County of Santa Clara, a grant agreement in an amount not to exceed \$9,795,030 to administer payments for rental assistance, utility relief, and other eligible housing assistance to San José residents being served by the Santa Clara County Homelessness Prevention System community and grassroots partners.

OUTCOME

City Council approval of this item will allow the Administration to execute agreements and disburse the funds from the second round of Emergency Rental Assistance (ERA) Phase 2 (ERA2) funding received from the U.S. Department of the Treasury through the American Rescue Plan Act. These funds will continue and expand on the work of the existing emergency rental assistance program, which is a public/nonprofit partnership between the City of San José, County of Santa Clara, and the countywide Homelessness Prevention System, led by Sacred Heart Community Service and Destination: Home SV.

This first tranche of ERA2 funds will go to Sacred Heart Community Service to provide rental relief and to the County of Santa Clara, which will act as intermediary to administer payments on behalf of the program's community and grassroots partners.

This program prioritizes our most vulnerable residents hardest hit by the COVID-19 pandemic and the pandemic-induced recession. Its efforts focus on extremely low-income renters with incomes below 30 percent of the Area Median Income (AMI), including those who do not have traditional rental or lease agreements, and who are at high risk of displacement and homelessness. Information is online at SCCRentHelp.org.

Renters with incomes between 30 percent and 80 percent of AMI are eligible for assistance through the State program at HousingIsKey.com.

BACKGROUND

The American Rescue Plan Act, enacted on March 11, 2021, allocated \$21.55 billion for a second round of Emergency Rental Assistance (ERA2) nationwide, including \$2.5 billion targeted to high-need areas where low-income renter households are paying more than 50 percent of income for rent, living in substandard or overcrowded conditions, or where rental market costs are high, or there has been a significant change in employment since February 2020.¹

These ERA2 funds are in addition to Emergency Rental Assistance Funds Phase 1 (ERA1) previously appropriated in December 2020 through the Consolidated Budget Reconciliation Act of 2021. The State of California was allocated \$1.18 billion in ERA2, plus \$26.27 million for high need areas. The City of San José will be eligible to receive \$24.03 million in ERA2 plus \$12.24 million in funding for high needs areas for a total of \$36.27 million. Santa Clara County will receive \$21.32 million, plus \$8.75 million towards high needs areas, for a combined total of \$30.1 million.

The Treasury Department released a new fact sheet² with nine (9) enhanced policies and revised frequently asked questions³ on May 7, to provide updates regarding the overall ERA program and add guidance regarding ERA2.

Under the ERA2 federal assistance requirements:

- At least 90 percent of awarded funds must be used for direct financial assistance, including rent, rental arrears, utilities and home energy costs, utilities and home energy costs arrears, and other expenses related to housing.

¹ Information available: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program>

² Emergency Rental Assistance Fact Sheet: https://home.treasury.gov/system/files/136/FACT_SHEET-Emergency-Rental-Assistance-Program_May2021.pdf

³ Frequently Asked Questions: <https://home.treasury.gov/system/files/136/ERA2FAQs%205-6-21.pdf>

- Remaining funds are available for housing stability services, including case management and other services intended to keep households stably housed.
- ERA1 funds generally expire on September 30, 2022, and ERA2 funds generally expire on September 30, 2025.

Through updated guidance, the definition of “eligible household” was enhanced to allow assistance to applicants that had a direct or indirect impact to the pandemic. A residential renter household is one that meets at least one or more following criteria:

- Households with one or more individuals that qualify for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due, directly or indirectly, to the COVID-19 outbreak;
- Demonstrate risk of homelessness or housing instability; and
- Has a household income below 80% AMI.

In May, the City of San José received the first tranche of ERA2 funds, totaling \$14,511,155, which represents 40% of the total federal assistance appropriation. These funds have been budgeted for use in fiscal year 2021-2022.

Emergency Rental Assistance Program Implementation

On Feb. 9, 2021⁴, the City Council approved the Administration’s strategy for deploying \$30.38 million in federal Emergency Rental Assistance funds (ERA1), that the City of San José received directly from the U.S. Department of Treasury through the Consolidated Appropriations Act of 2021. Council further approved staff’s recommendations and a memorandum from Councilmember Esparza⁵, to pursue a Hybrid program under Senate Bill 91 (the State’s “Option C”), which allowed the City to administer a local program utilizing the \$30.38 million from the federal government, while the State would administer the ERA1 funds it had allocated for San José landlords and tenants (an additional \$33 million) through the California COVID-19 Rent Relief program.

As approved by Council on March 23, 2021⁶, the City workplan established a partnership for administering ERA1 funding between the City, County of Santa Clara, and the Homelessness Prevention System co-led by Sacred Heart Community Service and Destination: Home. This local program, now known as the Santa Clara County Homelessness Prevention System COVID-19 Response, is comprised of a network of forty-seven (47) trusted community and grassroots partners to provide homelessness prevention services including rental assistance, utility assistance, outreach and case management. It builds on the existing work of the countywide

⁴ See February 9, 2021 staff report: <https://sanjose.legistar.com/View.ashx?M=F&ID=9161966&GUID=041DCE11-F956-4E5B-BF9E-27385005E9AD>

⁵ Esparza memorandum: <https://sanjose.legistar.com/View.ashx?M=F&ID=9169395&GUID=627B0297-EAEA-44CD-8FAB-9964CBFA7C97>

⁶ See March 23, 2021 staff report: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4819308&GUID=A07519E4-DAB5-479A-9593-978491304871&Options=&Search>

Homelessness Prevention System and the successful efforts to deploy \$38 million in philanthropic, local, state, and federal Coronavirus Relief Funds in 2020 to provide local residents with rental assistance and direct financial relief.

The local program soft-launched on May 1, 2021, with a public launch on May 19. In the first month of operation, more than 1,500 residents applied countywide, requesting approximately \$11.5 million in relief funds.

As of June 16, 2021, applications to the State program totaled 3,680 in Santa Clara County, for approximately \$47 million in requested rental assistance and \$2.6 million in utility assistance. The number of San José residents who had applied to the State was 2,361, for a total of \$29 million in requested rental assistance and \$1.6 million in utility assistance.

ANALYSIS

Today's action will allow the Administration to swiftly deploy the first tranche of ERA2 funds to provide additional rental assistance in advance of the expiration of federal, state, and/or local eviction moratoria.

The National Equity Atlas dashboard projects approximately 27,477 Santa Clara County renter households are behind on rent, and owe \$192 million in back rent, at an average of \$6,933 per household⁷. This data reveals Santa Clara County as having the highest rate of households behind on rent in California; however, staff believes the need may be even higher. For example, applications from extremely low-income households to the State program were averaging \$12,000 per household in aid requests.

With state and federal eviction moratoria scheduled to sunset on June 30, 2021, there remain thousands of San José renters who owe back rent due to the pandemic and pandemic-induced recession, and who have not accessed assistance from the state or local program. Staff anticipates significantly more applications will be submitted in the coming weeks. (Note: On June 22, 2021⁸, the City Council unanimously approved an ordinance to prevent evictions by extending the eviction moratorium from June 30, 2021 to August 31, 2021 with direction to return in August with findings related to a potential extension through year-end. In addition, news reports indicate that the Governor and legislative leadership are in discussions about an extension of the statewide moratorium.)

⁷ National Equity Atlas Dashboard: <https://nationalequityatlas.org/rent-debt>

⁸ See June 22, 2021 Ordinance Implementing an Eviction Moratorium: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4988616&GUID=2AD8A932-6E53-4048-BBF1-A0F6E4CE2FBF&Options=&Search=>

The City and County are coordinating with the local program, legal services providers, and the Superior Court to provide assistance to as many renters who owe back rent before the eviction moratorium expires.

At the rate this program is moving, with additional support, the local program may use up the first round of rental assistance funds before August 31. Thus, the Administration requests approval to authorize disbursement of the ERA2 funds the City has received to provide financial aid quickly to avoid any bottleneck in support. In addition, the Administration plans to deploy the ERA2 funds that may be used for housing stability services to help staff the Eviction Help Center, pop-up clinics, application assistance, and other eligible activities related to providing access to direct rental assistance.

- Table 1 provides an overview of the \$66.34 million in ERA2 funding that both the City and County anticipate receiving through direct allocation of ERA2 federal funds.

Table 1: ERA2 Direct Allocation of Funds

Direct Payment to:	ERA2	ERA2 High-Needs	Total
San José	\$24,038,066.30	\$12,239,822.10	\$36,277,888.40
County of Santa Clara	\$21,315,291.50	\$8,746,710.90	\$30,062,002.40
Total	\$45,353,357.80	\$20,986,533.00	\$66,339,890.80

The \$14,511,155 we are recommending here for allocation represents the first tranche of funding the City received and will help ensure a smooth continuity of operations before the July recess, allowing our local partners to access and distribute these funds as needed.

Table 2: ERA2 Contract Allocations

Funding Category	Intermediary or Provider	Funding	Notes
Direct Financial Assistance	Sacred Heart Community Service	\$3,265,010	Provide rental assistance, utility relief, and other eligible housing assistance to San José residents.
Direct Financial Assistance	County of Santa Clara	\$9,795,030	Administer payments for rental assistance, utility relief, and other eligible housing assistance to San José residents being served by the Santa Clara County Homelessness Prevention System community and grassroots partners.
Housing Stability Services	Housing Department	\$1,451,115	Provide an Eviction Help Center, pop-up clinics, assistance with applications for emergency rental assistance, and community-based eviction prevention efforts.
ERA2 funds received		\$ 14,511,155	

CONCLUSION

Thousands of extremely low-income renters need urgent financial support to maintain housing stability. The Administration recommends authorization to distribute the American Rescue Plan Act, Emergency Rental Assistance Phase 2 (ERA2) funding and provide contract authority to execute agreements and aid its partners to continue their work in assisting renters at risk of losing their homes.

We have developed this recommendation after listening to the community and grassroots partners and in partnership with our colleagues at Santa Clara County.

EVALUATION AND FOLLOW-UP

On June 22, Council asked if it would be possible for the Housing Department to provide monthly updates on progress of resident access to Emergency Rental Assistance. Staff will be working with the Homelessness Prevention System and County to track data for the local program, including the number of households served, the amount of funding distributed, the geographic distribution of funds, aggregated demographic information, and the length of time it takes for applications to be processed. Staff will seek data from the State, however, notes that access to a State program dashboard has not yet been provided.

Councilmembers have been provided State and Local toolkits with multi-lingual information to share with constituents via newsletters, social media, and other outreach efforts. As additional resources become available, they will be shared. Councilmembers are a critical conduit to reaching our most vulnerable residents, and staff is available to provide training and information for Council staff who provide direct constituent assistance to enable Council to help residents most effectively.

Staff anticipates coming forward later in the fiscal year to recognize future disbursements of ERA2 funding as the City is notified of timing and amounts. Additional updates on program implementation will be provided to the City Council via informational memorandum, Council committee, and Council meeting, as appropriate.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

With each new phase of funding and programming, the Homelessness Prevention System, led by Destination: Home and Sacred Heart seeks input from the nonprofit partners and their clients. The Administration holds ongoing weekly meetings to discuss outreach and program implementation strategies.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Finance Department.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The recommendations outlined here are in alignment with the Citywide Residential Anti-Displacement Strategy goals to:

- Support equitable COVID-19 recovery and impact mitigation measures for renters and homeowners, and
- Establish new sources of funding for affordable housing and anti-displacement.

COST SUMMARY/IMPLICATIONS

Table 2: ERA Contract Allocations outlines the preliminary program budget for the first tranche of ERA2 funding, totaling \$14,511,155. Actions to recognize and appropriate this funding in the Emergency Reserve Fund were included in the Approval of Various Budget Actions for Fiscal Year 2020-2021 memorandum, approved by City Council on June 22, 2021, and rebudgeted to 2021-2022 as part of Manager's Budget Addendum #36, Adoption of the 2021-2022 Operating and Capital Budgets. Subsequent recommendations will be brought forward for City Council consideration to recognize and appropriate future tranches of ERA2 funding upon receipt. The Finance and Housing Departments will ensure that funds are tracked and spent in accordance with the ERA2 Federal and State guidelines.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the contracts recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contracts	2021-2022 Proposed Operating Budget Page *	Last Budget Action (Date, Ord. No.)
406	NEW	Resident Relief – Housing Stabilization	\$15,636,000	\$14,511,155	N/A	N/A

*The 2021-2022 Proposed Operating Budget was approved by the City Council on June 15, 2022 and adopted on June 22, 2021. Of the \$15.6 million appropriated to Resident Relief – Housing Stabilization, \$14.5 million consists of ERA2 funds and \$1.1 million consists of FEMA-reimbursable funding for operation of isolation and quarantine sites during the first quarter of 2021-2022, as needed.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
RAGAN HENNINGER
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Housing Department

For questions, please contact Michelle McGurk, Assistant to the City Manager and Assistant Director, Community and Economic Recovery Branch of the EOC, at michelle.mcgurk@sanjoseca.gov or Ragan Henninger, Deputy Director, Housing Department at ragan.henninger@sanjoseca.gov.