



STAFF REPORT – CITY COUNCIL MEETING

March 20, 2024

TO: Honorable Mayor and City Council Members

FROM: David Loya, Director of Community Development
Jennifer Dart, Deputy Director of Community Development

PREPARER: Nick Brichta, Community Development Specialist

DATE: March 12, 2024

TITLE: **Authorize a Grant Application to the HOME Investment Partnerships Program for the Tenant-Based Rental Assistance Program.**

RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 234-39 authorizing a grant application to the HOME Investment Partnerships Program for up to \$1.5 million for the Tenant-Based Rental Assistance Program.

INTRODUCTION:

Since 2019, the City has operated a Tenant-Based Rental Assistance Program (Program). Grants from the HOME Investment Partnerships Program provide Program funding for three-year terms. Program funding will end in November 2024 when the grant awarded to the City in 2021 expires. Competitive applications to the HOME Investment Partnerships Program are now open. Adopting Resolution No. 234-39 will authorize an application of up to \$1.5 million to extend the program for another three-year term.

BACKGROUND:

With City Council authorization in January 2020, the City applied for and received a 2019 HOME grant from the Department of Housing and Community Development in the amount of \$1 million for the purpose of creating a Tenant-Based Rental Assistance Program. To date, eighty-five low-income households have been assisted with monthly rent and utility costs, as well as security and utility deposits. Fifty-nine households are currently receiving assistance. The City's current grant expires on October 31, 2024. While the program is not designed to be permanent and is not typical for the kind of programs the City has historically operated, there is an opportunity to apply for another HOME grant through the 2022-2023 NOFA. If awarded, the new grant will help maintain housing stability for the households currently receiving assistance for three more years.

DISCUSSION:

On January 19, 2024, the HOME Investment Partnerships Program (HOME) released the 2022-2023 Notice of Funding Availability (NOFA) for Programs and Projects. Applications are due April 9,

2024. An application under the “Program Allocation” would provide continuing funding for the City’s HOME Tenant-Based Rental Assistance Program. Detailed information about the HOME NOFA can be found at the HOME program website (<https://www.hcd.ca.gov/grants-and-funding/programs-active/home-investment-partnerships-program>).

The Tenant-Based Rental Assistance Program provides rental assistance to households with incomes at or below sixty percent (60%) of the County’s area median income, adjusted for household size. Under the current Tenant-Based Rental Assistance Certificate Guidelines, the Gross Rent (approved rent plus the utility allowance, if any) and either thirty percent (30%) of the household’s adjusted monthly income or ten percent (10%) of the household’s gross monthly income, whichever is more.

Since April 2022, the City has helped eight homeless households secure and maintain safe, stable, and affordable housing with Tenant-Based Rental Assistance. Of the eighty-five total households assisted to date, fifty-nine are seniors, forty-three have disabilities, and five are veterans. Thirty-four of the fifty-nine households currently being assisted with Tenant-Based Rental Assistance are homeowners living in mobile home parks and receive assistance with the cost of space rent and utilities; the remaining twenty-five (25) households are renters in Arcata.

The current 2019 HOME grant expires on October 31, 2024, and the fifty-nine (59) households will no longer be subsidized. Without a continued source of funding, Tenant-Based Rental Assistance for the active households will end at that time, putting households at risk of overpayment or homelessness. The long-term plan is to transition as many households as possible to the Section 8 program, which is a more stable form of assistance. Since Tenant-Based Rental Assistance funding is sporadic, staff will work to transition as many households off the program and into more stable subsidy programs as possible before funding expenditure deadlines.

In order to be eligible to apply for another HOME grant, the City must expend at least 50% of the current grant before the April 9th due date. HOME requires the City to spend 50% of existing grant funds to be eligible to apply. The City has currently spent \$347,492 in grant funds for the Tenant-Based Rental Assistance program and has commitments for \$306,207 by the grant expenditure deadline putting us over the 50% threshold. The City may apply for up to \$1,500,000 under the Programs NOFA, based on a 65% expenditure rate, which includes existing Tenant-Based Rental Assistance contracts encumbering funds through October 31, 2024, in accordance with the NOFA. Should the City Council adopt Resolution 234-39 (Attachment A) approving an application for up to \$1,500,000, staff may decide to apply for a lesser amount based on program needs to ensure 50% expenditure before the release of the next HOME Investment Partnerships Program NOFA.

ENVIRONMENTAL REVIEW (CEQA):

Environmental Review will be completed for General Administration costs prior to submission of grant application. NEPA Categorically Exempt per 24 CFR58.34(a)(3) (Administration of Program)

BUDGET/FISCAL IMPACT:

The HOME grant match has been waived by the State. If the City is awarded the 2022-2023 HOME grant, funds may not become available prior to the 2019 grant expenditure, in which case there would be a gap in the subsidy provided to recipients between the 2019 expenditure deadline of October 31, 2024, and the date HCD provides the Authority to Use Grant Funds in the fall of 2020.

The Tenant-Based Rental Assistance program is administratively intensive, and the grant only provides 2.5% of the grant funds for administration; up to 5% of program costs may be used for activity delivery staff costs such as income verifications and inspections. Applicants may request up to an additional 7.5% of the total Tenant-Based Rental Assistance application amount for general administrative costs but the additional request may be declined depending on demand and available

funding. If the application for additional administrative funding is not approved, the General Fund or another source may need to partially fund staff for the program. Staff estimates this would total \$30,000 annually, based on the 2019 grant administration.

ATTACHMENTS:

A. Resolution No. 234-39 (PDF)