



## Legislation Text

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**File #:** 22-0516, **Version:** 1

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Recommendation to adopt resolution to request and accept State Rental Assistance Cashflow Loan Program funds to allow the City of Long Beach Emergency Rental Assistance Program to continue, without interruption, assisting eligible renters who have experienced economic impacts due to the COVID-19 pandemic; and

Authorize City Manager, or designee, to execute all necessary documents with the California Department of Housing and Community Development to receive State Rental Assistance Cashflow Loan funds, and execute the Standard Agreement necessary to implement and comply with related State regulations. (Citywide)

On December 27, 2020, the Federal Consolidated Appropriations Act of 2021 authorized the Emergency Rental Assistance Program (ERAP) and appropriated \$25 billion in federal rental assistance (ERA1). California Senate Bill (SB) 91 established the State's program for administering its share of ERAP funds. On February 9, 2021, the City Council directed City staff to request the City of Long Beach's (City) reserved Block Grant amount of \$16.4 million from the State, conform the City's program to the State ERAP rules, and self-administer a local tenant assistance program (Option B) combining the State Block Grant with the previously received \$13.8 million direct Federal Allocation, totaling \$30.2 million in new funding to the City. On March 16, 2021, the City Council adopted a Resolution authorizing the City Manager to execute all Block Grant award documents necessary to accept the State ERAP funding.

On March 11, 2021, the American Rescue Plan Act established the federal Emergency Rental Assistance Program (ERA2), and authorized the direct allocation of funds to states, the units of local government, territories, and high-need grantees. In this round, the City was considered both a regular grantee and a high-need grantee, and therefore received a total direct federal allocation of \$22.1 million. In addition, the City received its reserved \$13.1 million State Block Grant, totaling \$34.3 million in combined ERA2 funding.

California SB115 established the State Rental Assistance Cashflow Loan Program (Program) for Option B cities, including Long Beach (Attachment A). The Program provides the City immediate funding, in the form of a forgivable loan, to continue providing rental relief to all eligible households as the City awaits additional federal funding from either ERA1 or ERA2 surplus funds to fund the Long Beach Rental Assistance Program (LB-ERAP). Under the Program, funds will be made available once all previously awarded Federal Direct and State Block Grant funds (ERA1 and ERA2 funds) have been fully obligated and/or spent to a zero balance. US Treasury defines obligation as both payments made and cases approved and ready for payment. Long Beach's ERA1 funds are fully spent while \$27.4 million in ERA2

funds are spent or fully obligated. The Program provisions include:

- The loan is available to eligible local jurisdictions operating ERAPs outside of the Program (Option B cities) who have obligated and/or spent all allocated federal funds down to a zero balance.
- If the City does not receive additional federal funding via the Request for Reallocated Funds process by June 30, 2023, and if such funds cannot be utilized for reimbursements, the State of California Department of Finance will forgive an amount up to the amount not covered by the federal allocation.
- Amounts allocated to State Department of Housing and Community Development (HCD) under SB115 will not accrue interest.
- Program expenditures must be for eligible applications that were received on or before March 31, 2022, including administrative costs.

Based on the current pace with which LB-ERAP is approving cases and issuing payments, the City is expected to fully obligate and/or spend all of its US Treasury Federal Direct and State Block Grant allocated funds by the end of June 2022.

The Program loan amount is determined by HCD based on the amount indicated in the Request for Reallocated Funds submitted by the City to the US Treasury. The City has submitted a Request for Reallocated Funds to the US Treasury for estimated excess obligations based on prior LB-ERAP monthly expenditure averages, which total approximately \$28 million. These requests were submitted based on potentially available ERA1 Reallocated Funds. Staff will submit additional Requests for Reallocated Funds under ERA2.

Based on the request for reallocated funds from the US Treasury, the maximum City request for Program funds is \$28,033,840. If approved, the funds can be immediately used when current federal funds are fully obligated and/or spent.

As of March 31, 2022, the LB-ERAP total remaining requested assistance is \$87.1 million. This figure accounts for remaining cases in progress and unreviewed cases. This figure is much higher than the remaining \$10.5 million in ERA2 funds. It should be noted that ERA1 funds are fully spent.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on March 29, 2022 and by Revenue Management Officer Geraldine Alejo on April 8, 2022.

## EQUITY LENS

The City has incorporated the Equity Toolkit in this recommendation as requested by the City Council on April 21, 2020. This recommendation will provide rental and utility payment assistance to low-income residents most impacted by COVID-19. All households with income

at or below 80 percent of the Area Median Income (AMI), who have experienced financial hardship due to COVID-19, and who have demonstrated housing instability are eligible to apply. As of March 16, 2022, 97 percent of all awarded funds were directed to residents who earn less than 50 percent of AMI. Moving forward with LB-ERAP, the City will focus on assisting the lowest income residents with past due rental and utility payments.

City Council approval is requested on May 10, 2022 to ensure that when remaining federal funds are fully spent, LB-ERAP can continue, without interruption, to assist current eligible applicants who have applied for assistance on or before March 31, 2022.

If approved, the City may receive an HCD Cashflow Loan in an amount up to \$28,033,840, which is equal to the request for ERAP funding submitted by the City to the US Treasury. The HCD Cashflow loan will provide an immediate funding source to continue the LB-ERAP once the initial federal funding is depleted and while the City waits for ERA funding approval. The HCD loan is restricted to allowable rental and utility assistance payments for eligible applicants, as well as administrative costs (up to 15 percent) which includes the City's contract with Yardi Systems, Inc., for assistance with LB-ERAP program implementation. If the US Treasury approves the City's combined ERA funding request of \$28,033,840, those ERA funds will be used to repay the HCD Cashflow Loan. If the US Treasury does not approve the City's funding request, then the loan will be forgiven, and the City will not be required to repay the loan.

The loan is not currently appropriated. If approved, the department will return to the City Council with a request for appropriation to continue the LB-ERAP program, offset by revenues received from the HCD Cashflow Loan. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing Council priorities. There is no local job impact associated with this recommendation to request appropriations.

Approve recommendation.

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OSCAR W. ORCI  
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

THOMAS B. MODICA  
CITY MANAGER