

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 17, 2020

CAO File No. 0220-00540-1465

Council File No. 20-0401-S1

Council District: Citywide

To: The Mayor
The Council

From: *for* Richard H. Llewellyn, Jr., City Administrative Officer


Reference: Housing and Community Investment Department (HCID) transmittal dated June 12, 2020; Received by the City Administrative Officer on June 15, 2020; Additional Information Received through June 16, 2020

Subject: **SUPPLEMENTAL REPORT ON THE IMPLEMENTATION OF A CITYWIDE EMERGENCY RENTAL ASSISTANCE SUBSIDY PROGRAM FOR TENANTS UNABLE TO PAY RENT DUE TO CIRCUMSTANCES RELATED TO THE CORONAVIRUS (COVID-19) PANDEMIC**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Allocate \$100 million of the COVID-19 Federal Relief Fund to the COVID-19 Emergency Rental Assistance Subsidy (ERAS) Program;
2. Authorize the Housing and Community Investment Department (HCID) to provide program oversight to implement the COVID-19 ERAS Program and conduct a public outreach campaign to inform City residents about the availability of the program to prevent displacement due to the economic impacts of the current coronavirus outbreak;
3. Request the City Attorney, in consultation with HCID, to amend City Ordinance No. 186605, which created the Emergency Rental Assistance Subsidy Program Fund (Fund) for the purposes of receiving and disbursing monies to support the ERAS Program to allow a grant of up to \$1,000 per month, or \$2,000 per household to be disbursed to qualified renter households under the ERAS Program;
4. Instruct the HCID to report back and request authority to execute a contract with Stone Phones to augment HCID's call center operations and handle the anticipated increase in call volume as a result of the ERAS Program;

5. Authorize the HCID General Manager, or designee, to:
- a. Execute a Fourth Amendment to City contract number C-134129 with the Southern California Housing Rights Center to increase the compensation amount by \$98,109,330 for a cumulative compensation amount not to exceed \$108,949,830, for the administration of the ERAS Program, subject to approval of the City Attorney as to form and legality, compliance with the City's contracting requirements, and funding availability;
 - b. Execute Amendments to increase the compensation amount by \$62,500 for each of the 16 FamilySource Center (FSC) contracts for a total of \$1 million to provide enhanced services to eligible households under the ERAS Program, subject to approval of the City Attorney as to form and legality, compliance with the City's contracting requirements, and funding availability;
 - c. Execute a sole source contract with Cask NX, LLC to develop the application system and support for the ERAS Program, with a contract term from June 1, 2020 through May 31, 2021 and a compensation amount not to exceed \$275,000, for a one year term subject to approval of the City Attorney as to form and legality, compliance with the City's contracting requirements, including completion of the Charter Section 1022 Determination process, and funding availability;
 - d. Execute a Fourth Amendment to City contract number C-130642 with Satwic Inc., to provide systems development and support for the ERAS Program and increase the compensation amount by \$135,000 for a cumulative compensation amount not to exceed \$4,310,106, subject to approval of the City Attorney as to form and legality, compliance with the City's contracting requirements, and funding availability; and,
 - e. Prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer; and,
6. INSTRUCT the City Clerk to place on the agenda on the first regular Council meeting on July 1, 2020, or shortly thereafter, the following instructions:

Authorize the Controller, subject to the approval of the Mayor to:

- a. Establish new accounts and appropriate funds within the Emergency Rental Assistance Subsidy Program Trust Fund No. 63D as follows:

| Account | Account Name | Amount |
|----------------|---------------------|---------------|
| 43T972 | CD 3 ERAS | \$150,000 |
| 43T973 | CD 5 ERAS | 50,000 |
| 43T974 | CD 6 ERAS | 1,000,000 |

| | | |
|--------------|-------------------------|--------------------|
| 43T975 | CD 9 ERAS | 150,000 |
| 43T976 | CD 10 ERAS | 150,000 |
| 43T977 | CD 12 ERAS | 100,000 |
| 43T978 | CD 13 ERAS | 1,000,000 |
| 43T979 | CD 14 ERAS | 500,000 |
| 43T143 | Citywide ERAS-Donations | 1,988 |
| Total | | \$3,101,988 |

- b. Establish new accounts and appropriate funds within the COVID-19 Federal Relief Fund No. 63M as follows:

| Account | Account Name | Amount |
|----------------|--|----------------------|
| TBD | Citywide ERAS-Grant | \$95,348,330 |
| 43T143 | Housing and Community Investment Department | 128,081 |
| 43T299 | Reimbursement of General Fund Costs | 82,089 |
| TBD | ERAS Family Source Center Contracts | 1,000,000 |
| TBD | ERAS Technical Contracts | 470,500 |
| TBD | ERAS Call Center and Outreach Contracts | 210,000 |
| TBD | ERAS Program Administration Contract - Grant | 2,761,000 |
| Total | | \$100,000,000 |

- c. Increase appropriations in the amount of \$111,375 in Fund No. 100/43, Account No. 001010, Salaries General;
- d. Increase appropriations in the amount of \$16,706 in Fund 100/43, Account No. 006030; and,
- e. Appropriate donated funds upon receipt to Account No. 43T143 the Emergency Rental Assistance Subsidy Program Trust Fund No. 63D.

SUMMARY

The Housing and Community Investment Department (HCID) requests various authorities to implement the recently approved COVID-19 Emergency Rental Assistance Subsidy (ERAS) Program (C.F. 20-0401) including: 1) an instruction to the City Attorney to amend City Ordinance No. 186605 to allow a grant of up to \$1,000 per month or \$2,000 per household to be disbursed to qualified renter households under the ERAS Program; 2) authority to execute contract amendments with the Southern California Housing Rights Center for the administration of the ERAS Program (\$98,109,330), each of the 16 at Family Source Centers for enhanced services for eligible households under the ERAS Program (cumulative \$1 million), and Satwic Inc. for systems development and support (\$100,000); 3) authority to execute a sole source contract with Cask NX, LLC to develop the application system for the ERAS Program (\$275,000); 4) an appropriation of \$3,101,988 in funding within the Emergency Rental Assistance Subsidy Program Trust Fund No. 63D for the ERAS program for rental subsidies for eligible households; 5) an appropriation

of \$100 million within the COVID-19 Federal Relief Fund No. 63M for rental subsidies for eligible households, administrative costs, and contractual services to implement the ERAS Program; and 6) an appropriation of donated funds upon receipt within the Emergency Rental Assistance Subsidy Program Trust Fund No. 63D. It should be noted that this report's recommendations differ from the recommendations included in HCID's transmittal dated June 12, 2020 (Report). Subsequent to the release of their Report, HCID requested to revise the contract amendment amount for Satwic Inc. from \$100,000 to \$135,000 because HCID decided to utilize Satwic instead of Time Trade for scheduling appointments for the ERAS Program. Additionally, HCID clarified the term period for the proposed sole source contract with Cask NX, LLC, which was excluded in their Report. This report's recommendations also include additional language to ensure the requested contracts and amendments comply with the City's contracting requirements. Finally, the Controller instructions in this report include appropriations within two separate special funds instead of one special fund to better track expenditures from federal funds versus local funds. This Office concurs with the recommendations of the Department, as amended.

Ordinance No. 186605

The Emergency Rental Assistance Subsidy Program Trust Fund was created to receive, retain, and disburse funds to provide emergency rental assistance to low income residential tenants in the City that are unable to pay rent due to the COVID-19 pandemic. HCID's report provides additional information regarding income eligibility for the program as well as examples for documenting a reduction of income due to the COVID-19 pandemic. The subsidy will be a grant paid directly to the tenant's landlord within the City and will not be limited to renters in units subject to the Rent Stabilization Ordinance. HCID's report lists requirements of landlords for receiving the grants. The existing Ordinance limits subsidies to 50 percent of the monthly rent or \$1,000 per month for a maximum of three months per low income tenant. With the availability of additional funds, HCID is requesting to amend the Ordinance to allow subsidies of 100 percent of the monthly rent, up to \$1,000 per month, with a maximum subsidy of \$2,000 per household. The HCID indicates that the re-designed program would better protect tenant households by paying all or a higher percentage of the monthly rent, while reducing the amount of rent they will eventually need to repay. Additional information on the application and selection process for the program is included in HCID's report.

Contract Authorities

The HCID currently has contracts with the Southern California Housing Rights Center to provide Citywide fair housing services, 16 Family Source Centers (FSC) to assist low-income families with increasing their family income and economic opportunities, and Satwic Inc. to develop and support HCID's information technology systems. Each of these contracts have amendments pending approval through the Consolidated Plan Program Year 46 process (C.F. 19-1204) to add funding and extend their contract terms through June 30, 2021. The HCID requests authority for a proposed Fourth Amendment to the contract with the Southern California Housing Rights Center to increase the compensation amount by \$98,109,330 for a cumulative compensation amount not to exceed \$108,949,830, for the administration of the ERAS Program. Of the \$98 million in additional compensation, \$95.4 million will be for subsidies for eligible tenant households while \$2.8 million will be for administering the ERAS Program. The HCID additionally requests amendments to

increase the compensation amount by \$62,500 for each of the 16 FSCs for a cumulative compensation amount not to exceed \$862,500 for each FSC contract. The HCID reports that the additional funds would allow each FSC to hire two to three additional staff to assist with ERAS intake and program eligibility. The HCID also requests authority for a proposed Fourth Amendment to the contract with Satwic Inc., to provide systems development and support for the ERAS Program and increase the compensation amount by \$135,000 for a cumulative compensation amount not to exceed \$4,310,106.

The HCID requests authority for a sole source contract with Cask NX, LLC, to develop the online application system for the ERAS Program. The City Attorney concurs with the sole source justification based on the City's current contract with Cask NX, LLC to provide ServiceNow application development and services supporting COVID-19 related work and the emergency situation that the City is facing. It should be noted that HCID would need to ensure that Cask NX, LLC complies with all of the City's contracting requirements, including completing a 1022 Determination Process, prior to executing the agreement.

Administrative Costs

The Department requests appropriations for various administrative costs to implement the program. The HCID requests \$200,000 for a contract to augment HCIDs call center operations and handle the anticipated increase in call volume as a result of the ERAS Program. The Department confirmed that they will report back to the Mayor and Council to request authority to execute a contract with Stone Phones, the vendor the City utilized for the Angeleno Card program. The HCID also requests \$10,000 for a social media campaign to ensure tenants are informed about the availability of the program, and \$60,500 for technology software and licenses for the ERAS Program. Finally, HCID requests \$210,170 for HCID staff salaries, lease costs, and related costs for administering the ERAS Program. Of this amount, approximately \$74,000 will be for a portion of staff time for 56 existing staff members to monitor contracts, staff the HCID customer service hotline, and provide program oversight. An additional \$8,000 is requested for a portion of an unspecified number of administrative and support positions as part of HCID's cost allocation plan. It is unclear if the \$210,170 will be eligible for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. If the staff and lease costs are not eligible for CARES funding, the HCID reports that the portion of costs attributable to units under the RSO could be funded by the Rent Stabilization Trust Fund, while the portion attributable to units not subject to the RSO would have to be funded by the General Fund.

FISCAL IMPACT STATEMENT

There is a potential impact to the General Fund of up to \$210,170 for administrative costs that may be ineligible for funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act or Rent Stabilization Trust Fund. Funding for the Emergency Rental Assistance Subsidy Program will be provided by the \$3,100,000 in funding allocated from AB 1290 Funds by Council Districts 3, 5, 6, 9, 10, 12, 13, and 14, plus any donations received, and up to \$100,000,000 from the COVID-19 Federal Relief Fund.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

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