



Eric Garcetti, Mayor  
Ann Sewill, General Manager

**Regulatory Compliance & Code Bureau**

1200 West 7th Street, 8th Floor, Los Angeles, CA 90017  
tel 213.275.3493 | toll-free 866.557.7368  
hcidla.lacity.org

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Council District: Citywide

Contact Persons:

Anna Ortega (213) 808-8826

Marcella DeShurley (213) 922-9681

Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 300, City Hall  
Los Angeles, CA 90012  
Attention: Heleen Ramirez,  
Legislative Coordinator

Honorable Members of the City Council  
c/o the City Clerk, City Hall  
200 North Spring Street  
Los Angeles, CA 90012  
Attention: Leyla Campos,  
Legislative Assistant

**COUNCIL TRANSMITTAL: CITYWIDE 2021 COVID-19 EMERGENCY RENTERS ASSISTANCE PROGRAM (ERAP)**

**SUMMARY**

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA), respectfully requests that the Mayor and City Council approve the recommendations in this report, which reports on the outcome of the COVID-19 Citywide Emergency Renters Assistance Subsidy Program (CF No. 20-0401) and provides recommendations for the implementation of an expanded renters assistance program created by H.R. 133, the COVID -19 Relief Package, signed into law on December 27, 2020 (CF No. 21-0042). Under the new COVID-19 Relief Package, the City of Los Angeles has received approximately \$118 million in federal Emergency Rental Assistance funds. Additionally, the State of California has received \$1.5 billion in federal Emergency Rental Assistance funds, allocated to cities and counties based on population. Approximately \$143 million is reserved for the City of Los Angeles through the state allocation. The combined total funding available to the City of Los Angeles for emergency renters' assistance through the COVID-19 Relief Package is approximately \$259 million.

**RECOMMENDATIONS**

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

- A. AUTHORIZE HCIDLA General Manager, or designee, to accept funding and execute related grant documents under the federal and state COVID-19 Emergency Renters Assistance Program (ERAP) on behalf of the City;

- B. APPROVE the certification of the City’s selection to receive a block grant of \$143 million allocated through the state program under the ERAP;
- C. AUTHORIZE HCIDLA to provide program oversight for the implementation of the ERAP to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic;
- D. AUTHORIZE the Controller to:
1. Establish a new fund, **“US Treasury Emergency Rental Assistance”** for the receipt and disbursement of federal grant funds from the US Department of the Treasury Emergency Rental Assistance program. Monies in the fund shall be used to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic. All interest and other earnings attributable to monies in the Fund shall be credited to the Fund and devoted to the purposes of the Fund.
  2. Establish accounts and appropriate funds as follows:

Account No	Account Name	Federal Direct	State Pass-Through	Total
TBD	Rental Assistance	\$ 106,560,000.00	\$ 128,940,000.00	\$ 235,500,000.00
TBD	Eviction Defense Program	1,500,000.00	1,500,000.00	3,000,000.00
TBD	Family Source Centers	1,600,000.00	1,600,000.00	3,200,000.00
TBD	Technical Contracts	1,034,250.00	1,034,250.00	2,068,500.00
TBD	Call Center and Outreach	1,567,562.50	1,567,562.50	3,135,125.00
TBD	Program Admin Contracts	3,463,320.00	3,463,320.00	6,926,640.00
TBD	Admin Reserve	2,594,573.30	3,007,383.50	5,601,956.80
Total		\$ 118,319,705.80	\$ 141,112,516.00	\$ 259,432,221.80

- E. AUTHORIZE the HCIDLA General Manager or designee, to:
1. Execute an amendment to City contract number C-134129 with the Southern California Housing Rights Center to:
    - (a) Increase the authorized contract in an amount not to exceed \$6,000,000 for a total contract amount of up to \$ 114,059,624.82; and
    - (b) Amend the contract scope of services to include the administration of the 2021 COVID-19 ERAP through June 30, 2022, subject to the approval of the City Attorney as to form.
  2. Execute an amendment to City contract number C-135994 with CERIDA Investment Corporation dba AnswerNet to:
    - (a) Increase the authorized contract in an amount not to exceed \$3,035,125 for a total contract amount of up to \$3,892,033; and
    - (c) Amend the contract scope of services to include the administration of the 2021 COVID-19 ERAP Call Center, provide for an advance payment of \$510,725 and extend the contract term through May 31, 2022, subject to the approval of the City Attorney as to form.
  3. Execute an amendment to City contract number C-136109 with Cask NX LLC to:

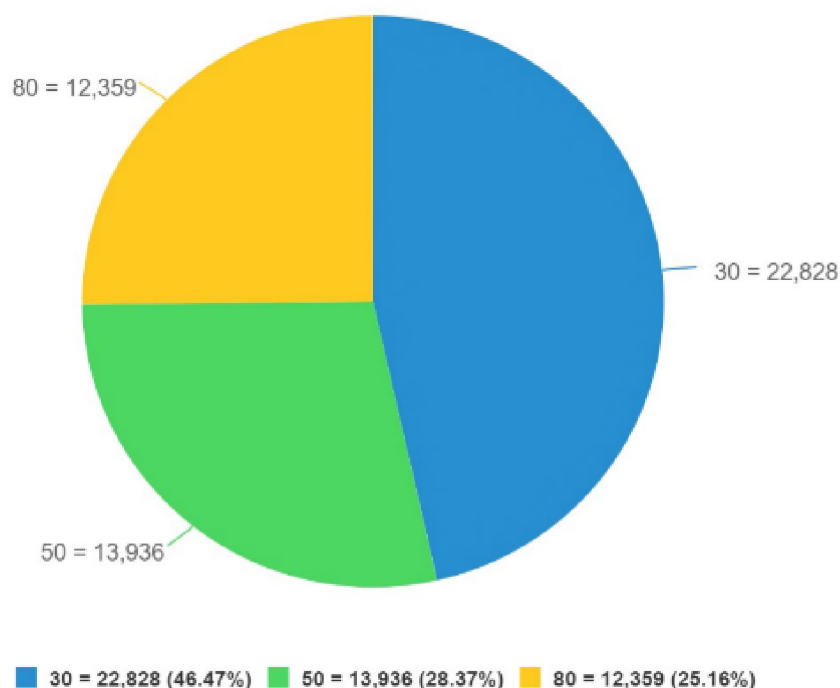
- (a) Increase the authorized contract amount in an amount not to exceed \$1,000,000 for a total contract amount of up to \$1,355,000, which will develop modifications to the ERAS application system to implement the 2021 program requirements; and
    - (b) Extend the contract term through June 30, 2022, subject to the approval of the City Attorney as to form.
  - 4. Execute an amendment to City contract number C-130642 with Satwic, Inc. to:
    - (a) Increase the authorized contract amount in an amount not to exceed \$460,000 for a total contract amount of up to \$4,770,106, which will develop modifications to the ERAS application system to implement the 2021 program requirements; and
    - (b) Extend the contract term through June 30, 2022, subject to the approval of the City Attorney as to form.
  - 5. Execute an amendment to City contract number C-130651 with 3Di, Inc. to:
    - (a) Increase the authorized contract amount in an amount not to exceed \$310,000 for a total contract amount of up to \$8,273,532, which will develop modifications to the ERAS application system to implement the 2021 program requirements; and
    - (b) Extend the contract term through June 30, 2022, subject to the approval of the City Attorney as to form.
  - 6. Execute a new agreement to allocate \$200,000 to each of the sixteen (16) Family Source Centers (FSC) to assist ERAP applicants with reviewing program eligibility, uploading required documentation, data entry, tracking status of application, and any other program related follow-up. A total amount of \$3.2 million for the period of March 15, 2021 to December 31, 2021 is requested for this purpose.
  - 7. Execute a new contract with Partners in Diversity, Inc. for \$926,640 based on the Request for Proposals issued by the City Attorney's Office on July 11, 2019, to provide temporary staffing to review tenant qualifications and coordinate submission of applications with the FSCs and Office of the Controller under the ERAP guidelines for the period of April 1, 2021 through March 30, 2022, subject to the approval of the City Attorney as to form.
  - 8. Execute contracts to allocate \$3 million from the COVID-19 Relief funding for the Eviction Defense Program.
  - 9. Purchase 525 licenses and technical support for the Snow Production system for staff and applicants to utilize the database in the amount of \$298,500.
- F. INSTRUCT HCIDLA to work with the City Administrative Officer (CAO) on a budget to provide the administrative resources for HCIDLA and the Controller's Office for costs associated with the implementation of the ERAP. Staffing and other administrative costs shall be reallocated from the Administrative Reserve Account.
- G. AUTHORIZE the HCIDLA Manager, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and the City Council actions related to this matter, subject to the approval of the CAO, and request the Controller to implement these instructions.

## **BACKGROUND**

### Summary of ERAS 2020 Program

On July 1, 2020, in response to the coronavirus (COVID-19) pandemic, the City Council approved the COVID-19 Emergency Rental Assistance (ERAS) Program, allocating almost \$104 million in City and federal CARES Act funding to implement a rent subsidy program for tenants with household incomes at or below eighty percent (80%) of Area Median Income (AMI) in order to prevent evictions of lower-income tenants for non-payment of rent, while assisting landlords who rely on rents as a primary or sole source of income. Under the federal guidelines, funds were required to be expended by December 30, 2020. The City of Los Angeles ERAS program was the largest such rental assistance program in the nation and successfully expended all program funds by the December 30, 2020 deadline (CF No. 20-0401).

The 2020 ERAS program provided 49,133 rent subsidies totaling \$98,266,000 to Los Angeles renter households impacted by a loss of income due to the COVID pandemic. Funding was comprised of \$100,598,699 million in CARES Act funding, \$3.1million from the General Fund and \$291,577 in private donations. The final total program budget was \$103,990,276. Administrative costs totaled \$5,722,699 (5.5%), though the program was heavily subsidized by HCIDLA staff. Fifty-six percent (56%) of subsidies were paid to landlords, and forty-four percent (44%) were paid as direct subsidies to tenants. Forty-six percent (46%) of subsidies was paid to households at or below thirty percent (30%) of AMI, twenty-eight percent (28%) was paid for households between thirty to fifty percent of AMI and twenty-five percent (25%) was paid to households between fifty-one and eighty percent of AMI.

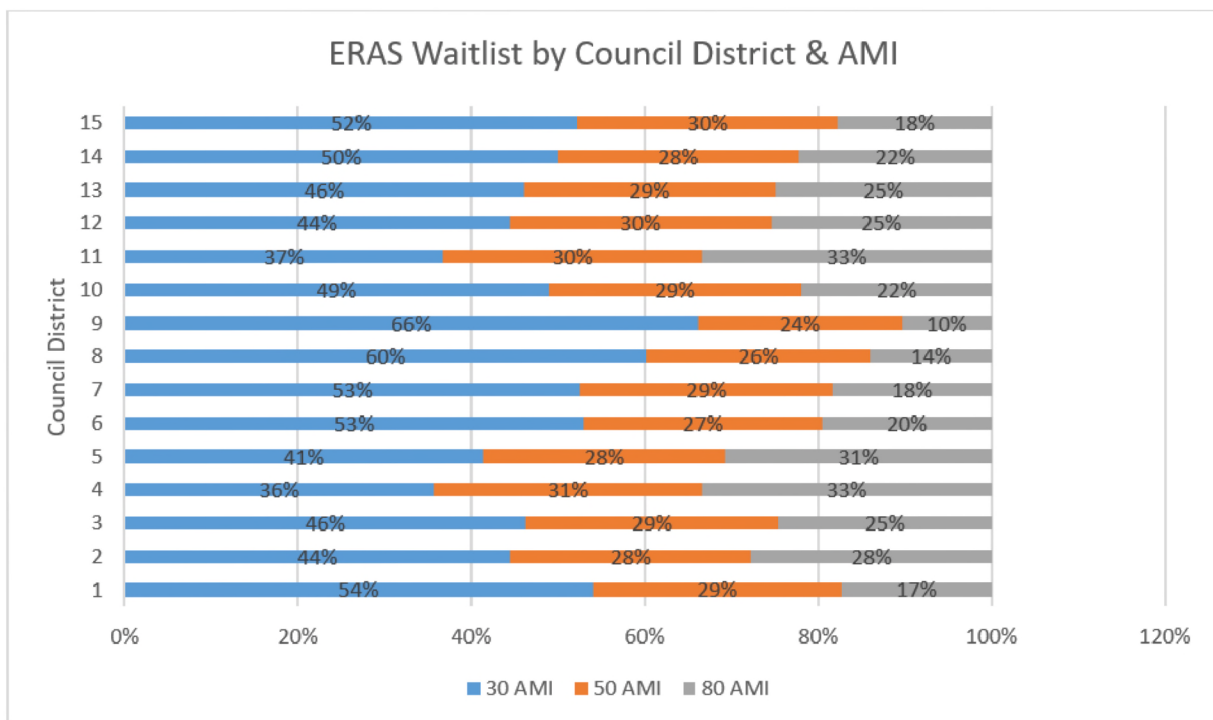


At the conclusion of the program, approximately 56,000 applicants remained on the Waitlist, with the distribution indicated in the chart below. Of the citywide Waitlist, forty-nine percent (49%) have incomes at or below thirty percent (30%) of AMI, twenty-eight percent (28%) have incomes from thirty-one (31)



and fifty percent (50%) of AMI, and twenty-two percent (22%) have incomes above fifty percent (50%) of AMI.

### ERAS 2020 Waitlist Distribution



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
30 AMI	2806	1950	1504	1561	1273	1830	790	2248	2855	3056	821	689	2878	1738	1302
50 AMI	1495	1222	944	1350	862	949	437	965	1016	1827	666	468	1809	967	745
80 AMI	901	1216	801	1463	946	676	276	522	448	1371	747	395	1562	775	443

### ERAS 2021

Under the new COVID-19 Relief Package, signed into law on December 27, 2020, the City of Los Angeles has received approximately \$118 million in federal Emergency Rental Assistance funds, which are not as flexible as the CARES Act Coronavirus Relief Funds utilized for ERAS 2020. Ten percent (10%) of the funds can be used for administrative costs and support services. Under the federal guidelines as revised on February 8, 2021, the City must expend the funds allocated by September 30, 2022.

Additionally, the State of California has received \$1.5 billion in federal Emergency Rental Assistance funds, allocated to cities and counties based on population. Approximately \$143 million is reserved for the City of Los Angeles through the state allocation. The state emergency rental assistance program is prescribed in Senate Bill 91 which extends statewide renters' eviction protections and provides a framework for paying landlords eighty percent (80%) of past rent due and requires landlords to waive twenty percent (20%) of past due rent. If a landlord refuses to accept payment, the program allows payment of twenty-five percent (25%) of past rent due to tenants, which will allow tenants to access eviction protections under SB 91. Both the state and federal programs require that landlords be provided

the opportunity to apply and participate in the program. The total funding potentially allocated to the City of Los Angeles is \$259 million. The state legislation provides three options for cities and counties to access and administer these funds:

- A. State Program:** The City would transfer \$118 million in federal funding to the State, which has contracted with LISC, a nonprofit Community Development Finance Institution, to administer the program statewide. This option requires implementing the model paying landlords eighty percent (80%) of past due rent, or twenty-five percent (25%) to tenants. Los Angeles can retain 1.5% of the funds for related costs, such as outreach and eviction defense.
- B. Local Program:** The City could receive a block grant of approximately \$143 million from the State and administer all funds directly. However, the City must conform to the State program rules, which require using the eighty percent (80%) to landlords/twenty-five percent (25%) to tenants model and limits the ability to pay prospective rent. This program also entails tighter timeframes for execution, requiring that sixty-five percent of funds be obligated by June 1 and expended by August 1. State officials have stated that there could be flexibility if the City demonstrates capacity to timely expend the block grant. Total funding for the ERAS 2021 would be \$118 million in federal funds, plus approximately \$141 million allocated through the state, totaling \$259,432,222. The State would retain 1.5% of the City's allocation of \$143 million in state funding.
- C. Hybrid Program:** The City would administer a local program with the \$118 million received from the federal government. The State would administer the \$143 million allocated for Los Angeles. The local program would not have to follow the eighty percent/twenty-five percent model. The federal rules provide somewhat more flexibility in the program design. Under the State rules, the responsibility burden for preventing duplication of benefits would be on the City.

#### Analysis and Projection of Level of Need for Los Angeles Renters

The total local funding available for a new rent subsidy program for Los Angeles City renters is approximately \$259 million. After allowing for administrative costs, approximately \$235.5 million will be available for subsidies. Approximately sixty percent (60%) of Los Angeles' 862,062 renter households have incomes at or below eighty percent (80%) of AMI.

<b>Total L.A. Renter Households</b>	<b>862,062</b>	
Income Ranges	Total Households	Family Income
• 51-80% AMI	160,330	\$90,100
• 31-50% AMI	153,199	\$56,300
• ≤ 30% AMI	277,588	\$33,800

Estimates of renters' pandemic-related loss of income and rental arrearages vary widely, and availability of data is limited based on geographic location and point in time of surveys and analysis. HCIDLA has consulted numerous sources and surveys, including responses from about 16,000 ERAS program participants from a survey conducted in collaboration with the University of Pennsylvania; the HCIDLA landlord database; landlord organizations and housing providers, in order to extrapolate

average rents in arrears and the impact of the pandemic on tenants' household incomes. As of December 2020, 10.6 percent of L.A. residents were unemployed.

HCIDLA consulted with several landlord organizations that provided estimates for tenants in arrears ranging from fifteen percent (15%) to fifty-five percent (55%).<sup>i</sup> Tenants in our survey of ERAS program participants self-reported fifty-one percent (51%) to sixty-seven percent (67%) of respondents to be in arrears on their rents. Estimates of the average amount of rent owed range from \$4,200 to \$7,000 dollars. Although approximately sixty percent (60%) of renters, particularly low-income households, have suffered a reduction in income due to the pandemic, a recent national survey found that as of January 2021, seventy-nine (79%) of tenants are current in their rents. This means about twenty-one percent (21%) of renters are behind. Because Los Angeles has a higher percentage of low-income renters, this report utilizes twenty-five (25%) as the lower end estimate of renters in arrears.

Model to Pay Landlords - Using the estimate of twenty-five (25%) of renters, the program could address almost all of the projected need for eighty percent (80%) of past due rent for households at or below fifty percent (50%) of AMI, utilizing the City's full allocation of approximately \$259 million through the State program. Under the best-case projections, the program would have sufficient funding to pay eighty percent (80%) of past due rent for approximately 64,618 households. We would not be able to assist renters with household incomes over fifty percent (50%) of AMI.

Tenant Household Need Based on Varying Arrears Estimates							
AMI	Households with COVID job losses	% Households in Arrears			Average Rent in Arrears	Total Rent Owed	80% of Rent After 20% Waiver
		25%	33%	50%			
≤ 30% AMI	166,553	41,638	54,962	83,277	\$4,205	\$175.1M - \$350.2M	\$140.1M - \$280.1M
≤ 50% AMI	91,919	22,980	30,333	45,960	\$4,429	\$101.7M - \$203.5M	\$81.4M - \$162.8M
≤ 80% AMI	96,198	24,050	31,745	48,099	\$5,199	\$125M - \$250.1M	\$100M - \$200M
						Total:	\$321.5M - \$642.9M

Model to Pay Tenants - Should landlords opt not to participate, the program would pay tenants twenty-five (25%) of the rent owed through March 31, 2021. Projections for that option indicate that payments would range from \$2,371 to \$2,757 per household. Depending on the number of landlords who do accept payment of eighty percent of rent owed, the "25%" program could assist all of the households at or below fifty percent (50%) of AMI, as well as a greater number of households between fifty-one and eighty percent of AMI.

### Payments of 25% of Rents Owed

AMI	Estimated No. of Renters in Arrears (25% of 60% of renters)	Average Rent in Arrears through Dec. 2021	25% of Arrears	Total per AMI to Pay Arrearages Only	Average Rent	Average Rent X 25% X 3 Mo.	Additional Needed for Arrears Plus 25% x 3 Months' Rent	Average Payment Per Household	Total Funding Needed
≤ 30% AMI	41,638	\$4,205	\$1,051	\$43,761,538	\$1,760	\$1,320	\$54,962,160	\$2,371	\$98,723,698
≤ 50% AMI	22,980	\$4,429	\$1,107	\$25,438,860	\$1,841	\$1,381	\$31,735,380	\$2,488	\$57,174,240
≤ 80% AMI	24,050	\$5,199	\$1,300	\$31,265,000	\$1,943	\$1,457	\$35,040,850	\$2,757	\$66,305,850
<b>Total</b>				<b>\$100,465,398</b>					<b>\$222,203,788</b>

### Recommendation for ERAS 2021

Each of the options engineered by the State has risks and benefits and will allow varying levels of assistance to Los Angeles renters and landlords, as well as operational challenges. It should be noted that both the federal and state programs largely mirror similar program rules, requiring that landlords be allowed to apply and the prioritization of rents in arrears. The state program leverages the available funding by requiring landlords to waive twenty percent (20%) of rents.

Due to the higher amount of direct funding available under a program managed directly by the City, as well as serious concerns about managing competing local programs which will result in a high level of confusion for the public and potential delays in funding for the City's renters and landlords, we recommend implementing a fully managed local program (Option B). If the City were to elect to manage a separate program, the risk of duplication of benefits cannot be avoided and compliance would fall upon the City, with the potential for negative audit findings and even the recapture of funds. Because the City has the capacity and existing program infrastructure, the prior ERAS system can be modified to quickly adapt to the 2021 ERAS rental assistance rules. This would allow the City to expedite assistance to cover rental arrears and possibly design a more flexible, forward looking program when additional federal funding become available. Under this program, approximately \$235.5 million will be provided as grants to the City's renters and landlords impacted by the Coronavirus pandemic. The program will be initially open to all Los Angeles City renters with household incomes at or below fifty percent (50%) of AMI. If additional funding comes available, HCIDLA will return to council to request authority to increase income eligibility limits.

### Program Implementation

The state guidelines currently in effect impose aggressive deadlines for expending the program funds, requiring the obligation of sixty-five percent (65%) of program funds by June 1, 2021, and expenditure of funds by August 1, 2021. The federal program recently extended their guidelines to allow expenditure of funds by September 30, 2022. HCIDLA is planning for the expeditious implementation of the 2021 rent subsidy program, building on the existing ERAS systems infrastructure and making improvements based on lessons learned through the 2020 renters' assistance program. HCIDLA has developed a comprehensive online system to track all application statuses, funding and subsidies in real time, which will be modified to meet the 2021 program requirements.



In order to be eligible for the renters' assistance program, City residents must have combined household incomes at or below fifty percent (50%) of AMI and have been economically impacted by the COVID-19 pandemic and/or be unemployed for 90 days or more. Estimates are that about seven percent of City residents have been unemployed for 90 days. Priority will be given to renters at thirty percent (30%) of AMI, followed by renters at fifty percent (50%) of AMI and to unemployed renters in these categories. Eligible applicants on the existing waitlist of 56,000 renters will be notified and assisted in updating their applications under the 2021 program guidelines. A landlord application portal will be created to allow landlords to refer their tenants who qualify for the program.

In accordance with the program guidelines, the program will pay landlords up to eighty percent (80%) of accrued rents. If landlords decline to participate or do not reply timely, the program will instead pay renters twenty-five percent (25%) of their past due rent as well as up to twenty-five percent (25%) of three (3) months' rent, based on the availability of funds. HCIDLA recommends a maximum grant of \$10,000 per household, due to the high number of very low-income renters in the City of Los Angeles and the anticipated demand for program funds.

As with the prior program, applicants will be able to complete their applications online, while those who do not have internet or computer access will be able to apply through the ERAP Call Center and submit their documentation at one of sixteen (16) Family Source Centers. We anticipate a lengthy application period beginning approximately March 15 through April 30, 2021. Applications will be sorted by AMI levels and selected through a periodic lottery approximately bi-weekly, as applications are processed. Non-selected applications will be re-entered in subsequent lotteries.

Approval for funding of \$3.2 million is requested in order to fund \$200,000 for each of the sixteen (16) Family Source Centers (FSC) to assist ERAP applicants with reviewing program eligibility, uploading required documentation, data entry, tracking status of application, and any other program related follow-up. Family Source Center staff will also provide related case management services such as financial literacy and consumer debt counseling and legal referrals.

The 2021 ERAP program will be administered through a contract with the Southern California Housing Rights Center (HRC), the non-profit that successfully administered the 2019 and 2020 rental assistance programs. HRC will be responsible for screening applications, reviewing documentation, determining eligibility for the grant and determining the appropriate amount of the grant for each payment to a landlord or renter, based on the program rules. HCIDLA is requesting approval for an amendment to City Contract Number C-134129 with the Southern California Housing Rights Center to serve as the ERAP administrator.

HCIDLA is pleased to be able to collaborate with the Office of the Controller, which has agreed to provide services to issue payments for the 2021 ERAP. The issuance of checks by the City Controller will greatly assist in reducing delays in receipt of funds and crediting of rent payments when banks and landlords question the validity of the check issued by an entity unknown to them. HCIDLA will report back with an updated budget request to provide the administrative resources necessary for the Office of the Controller to issue the payments. Funds for this purpose as well as HCIDLA staffing costs are allocated under the Administrative Reserve. Any additional funding necessary for the Call Center or related contractual services will be allocated from the Administrative Reserve.

The program design for the 2021 ERAP under the federal and state regulations is more complex and requires a higher level of documentation in order to approve the rent subsidy grants. Unlike the previous ERAS program that provided the same \$2,000 grant to every household, different amounts will be approved for each application depending on the monthly rent, arrearages and whether or not the landlord agrees to waive twenty percent (20%) of the past-due rent. The total funding level of \$259 million is more than double the amount of the 2020 program. The timelines imposed by state and federal government are stringent, and provide for recapture of funds if the 65% expenditure milestone is not met. In order to ensure sufficient staff resources to successfully implement the program, especially in light of the City's current hiring freeze, HCIDLA proposes to hire temporary staff to assist with the coordination and processing of applications through the execution of a contract with Partners in Diversity, Inc. Funding of \$926,640 is requested to hire temporary staff for approximately nine (9) months to review tenant, landlord and property eligibility, coordinate submission of applications with the FSCs and the Office of the Controller, and assist with quality control and compliance in the administration of the 2021 ERAP.

Landlord Participation – As noted above, both the federal and state guidelines require that landlords be given the opportunity to apply for funding on behalf of their tenants. In preparation, HCIDLA is building a system module to allow landlords to apply and refer their tenants. As with the 2020 program, landlords as well as tenants will be able to apply online or by telephone and complete their application through an appointment at a FSC. While in 2020 some landlords opted out or did not timely commit to participation in the program, fifty-six percent (56%) of payments were made to landlords. In order to receive the full grant for the 2021 ERAP, landlords must agree to:

- Accept a payment of eighty percent (80%) of past due rent and agree to waive 20% of rent in arrears;
- Not to impose any interest or late fees for rents owed;
- Not to evict the tenant during the declaration of emergency;
- Abide by all federal, state and local laws.

#### Outreach and Eviction Defense

The program guidelines allow up to ten percent of funds to be allocated for support services and case management. HCIDLA proposes to allocate \$3 million from the ERAP funds for the Eviction Defense Program (EDP), in order to leverage program funding, assist in conducting outreach and education on the ERAP, strengthen enforcement of the City's COVID renter protection ordinances, and augment resources to prevent displacement, especially for tenants who are participants in the ERAP. Providers in the EDP program will provide legal services in dealing with small claims or collections harassment. Additionally, any funding allocated for administrative costs, including costs for systems development, the Call Center, and paralegal services, remaining at the conclusion of the program may be re-programmed for eviction defense.

As with the 2020 ERAS program, a public outreach campaign about the ERAP program will be launched immediately and information will be available through the HCIDLA website, ERAP Landlord-Tenant Hotline, website and social media outlets, webinars and tele-town meetings and through paid advertising in multiple languages. Information will be shared through our partnerships with community-based organizations and tenant and landlord advocacy groups, with an emphasis on

“mom and pop” landlords. HCIDLA will continue to collaborate with Council offices, Neighborhood Councils, the Mayor’s communications team and other elected officials to publicize the availability of the rental assistance.

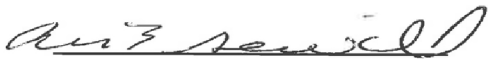
### Future Funding

The 2021 ERAP program will provide approximately \$235.5 million in direct rental assistance grants. While the 2021 ERAP program focuses on payment of rents in arrears, additional resources will soon be available to expand the program design and parameters. On February 5, the House Financial Services Committee chaired by Congresswoman Maxine Waters (D-CA) released a new \$25 billion COVID-19 relief bill that would provide \$19.05 billion for rental assistance with several improvements, including: households would be able to receive assistance for up to 18 months; the deadline to spend funds is extended to September 2025; eligibility is extended to cover households experiencing financial hardship during or due to the pandemic and can be used to provide back and forward rent and utility payments and other housing expenses for up to eighteen (18) months. This bill also extends the deadline to spend the initial \$25 billion tranche of funding provided by Congress in December 2020 from December 31, 2021 to **September 30, 2022**. Approval of this expanded program will provide greater flexibility to provide a deeper subsidy and stabilize renter households by addressing prospective rents.

### FISCAL IMPACT STATEMENT

HCIDLA’s proposed actions have no impact on the General Fund. Funding for the 2021 Emergency Rental Assistance Program is provided by the COVID -19 Relief Package, signed into law on December 27, 2020.

Approved By:



ANN SEWILL  
General Manager  
Housing+Community Investment Department

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<sup>i</sup> Percent of renters in arrears reported by AAGLA (55%), CAA (20-35%), Minority Business Apartments Association (15-20%)