



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 7, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of the Proposed Plans for use of Federal CARES Act Funding for Residential Rental Assistance, Food Security and Small Business Assistance and COVID-19 Related Expenses of the City Government.

ISSUE: What are the major COVID-19 pandemic impacts on the Alexandria community, what should the City government's response to those impacts be, and how should the City allocate the forthcoming Federal CARES Act funding?

RECOMMENDATION: That City Council:

1. Affirm that the prime priorities of the City for the use of CARES Act funding are for funding the City's direct response expenses to the COVID-19 crisis, the funding of the expansion of the Alexandria Health Department's epidemiological staffing, the funding of expanded residential rental assistance, food assistance to needy individuals and families, and the provision of assistance to small businesses;
2. Approve the proposed Residential Rent Assistance Program, Food Security Plan and Small Business Grant Program as detailed in Attachments 2, 3, and 4;
3. Direct the City Manager to implement receipt of the above initiatives contingent upon the receipt of a federal CARES allocation from the Commonwealth of Virginia; and
4. Approve the allocation of the federal CARES funds as displayed on Attachment 1 and as outlined in the

Fiscal Impact section of this report.

BACKGROUND: Since the onset of the COVID-19 virus pandemic, the City has been undertaking a series of actions and implementing plans (1) to protect the health of residents, workers and visitors to the City; (2) to mitigate the impact of COVID-19 on the community; (3) to assist those businesses with adjusting to a partial shutdown and then a stay-at-home directive, and (4) to assist those residents of the community who have lost their jobs and income and ability to feed their families. Much of the first months the City's focus has been on the health aspects of this crisis, as well as on immediate new health and economic issues that the City faces on a day-to-day basis. During this time period much has been accomplished, however there remains much to address in regard to the short and medium-term impacts of the shutdown large segments of our community. While the City put in place food distribution programs, and increased its emergency housing assistance grants, and assisted businesses in many ways, there is far more to be done in addressing what may be the largest U.S. economic downturn since the Great Depression of the 1930's.

The quick fall into the abyss of this recession will not likely be see a quick recovery, but a long recovery due in part to the significant food service/visitor segment of Alexandria's economy that City has relied upon and which is now functioning at a low level, and may take more than a year to fully recover due in part to the potential for a long flattened curve run time for the current COVID-19 virus, the potential for a virus return during next Winter's flu season, as well as due to the likely tenuous financial condition of many of these businesses.

While the federal and state programs such as SNAP, Medicaid, Unemployment Compensation and TANF will assist some, there are many in the Alexandria community who are not documented and therefore are not eligible for federally funded benefits. In addition to individual residents, small businesses will also need assistance if they are going to reopen and be able to stay open. The conclusion, which is largely universally agreed to, is that more assistance will be needed, so the questions which need to be decided are how much assistance should be provided, and in what form that assistance should be provided.

The Mayor in his March 17 memo: "*COVID-19 RESPONSE & RECOVERY INITIATIVES*" to Council listed some 19 different items under the three umbrella categories of *Human Service Response*, *Small Business Rescue*, and *Municipal Finance*. Most of the items on this lengthy *Response and Recovery* list have been implemented (including the *Municipal Finance* items which were handled as part of the FY 2021 Proposed Budget Version 2.0 process), but there are three areas that need to have a much larger and sustained response. These areas relate to residential rental, food security and small business assistance.

RESIDENTIAL RENTAL ASSISTANCE: One of the biggest financial needs that has been created by COVID-19 triggered high unemployment has been the inability of many City's 40,000 renters to pay their monthly rent. It is estimate that some 20% of rent could not be paid by renters in April with that number likely to increase to has high as 50% rent delinquency by June. While it appears that most landlords in the City have been following the Mayor's request made last month which asked for abatement of penalties, interest and the creation of payment plan options, the unpaid rent remains a major problem that is only going to grow as the impact of COVID-19 continues in the months ahead. *A proposed Residential Rental Assistance Program is detailed in Attachment 2.*

FOOD SECURITY: Since the outbreak of COVID-19, the City through its partner agencies has been assisting with food distribution to needy individuals and families. This has included two allocations to ALIVE! totaling \$270,000, as well as two allocations totaling \$200,000 as challenge match funds for the ACT NOW

COVID-19 Fund which has raised some \$539,000 in private donations to date with funding being allocated to non-profits who provide social services including food assistance. In addition, the City has partnered with ACPS in assisting with the ACPS multi-site, multi-day per week food distribution program. Most recently, the City partnered with the World Central Kitchen organization in meal distribution events. Since the beginning of March, the City has received and approved a flood of new applications for federal SNAP food benefits. As it is likely that the unemployment of service sector employees particularly in the hotel and restaurant sectors will remain high through the remainder of the Spring and the Summer, there will be an ongoing need to provide food to many City residents. *A proposed Food Security Plan is detailed in Attachment 3.*

SMALL BUSINESS GRANTS: In addition to individual economic impact of the COVID-19 virus, there has been a major impact on many of Alexandria's businesses during this health crisis. Many small businesses have closed or have had their income greatly reduced due to the impact of the needed social distancing as well as the stay-at-home guidance. While the federal forgivable and non-forgivable SBA loans have been of assistance to many small and medium sized businesses, such assistance is not likely to be sufficient. *As a result, the Alexandria Economic Development partnership has developed a proposed Small Business Grant Program which is detailed in Attachment 4. (Forthcoming)*

FUNDING OF THESE INITIATIVES: The federal CARES Act legislation that was approved and signed into law on March 27 included a Corona Virus Relief Fund with \$139 billion allocated to states with the intent that states then retain some of the funds and then also allocate some of these CARES funds to their local governments. Virginia has been allocated \$3.325 billion in total for state and local use. Large jurisdictions in the U.S., with populations of 500,000 or greater, can automatically receive 45% on a per capita basis from the allocation that was made to the states where those large jurisdictions are located. Fairfax County was the only such eligible jurisdiction in Virginia and will receive an automatic allocation.

The Mayor has written to Secretary of Finance Layne and indicated that all other Virginia localities should be allocated on a per capita basis at least the same 45% share. Fairfax County is eligible for about \$200 million, and if Alexandria receives the same 45% per capita share as Fairfax, then the Alexandria amount would be approximately \$27 million. The Secretary of Finance indicated today that Virginia's allocation will largely be made to localities on a per capita basis and possibly a few other factors will be applied, but no indication to date has been given of the amounts to be allocated to localities. The City should know its allocation by May 15.

This federal Corona Virus Relief Fund element of the CARES Act outlined specific purposes for which these federal funds could be used. Unlike most federal legislation and regulations, the federal law allows a broad range of uses for programs that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease (COVID-19);
2. Were not accounted for in the budget most recently approved as of the date of enactment (March 27, 2020) of this section of the state or government; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

Additional guidance has been received from the federal government. For Alexandria this would mean that any

costs for personnel or non-personnel items that were included in the FY 2020 budget could not be considered for CARES reimbursement, nor could any personnel or non-personnel item not related to the current public health emergency, and that the funds would need to be spent during the window of March 1, 2020 to December 30, 2020. This means that expenditures that were not previously budgeted and that the City has incurred in relation to preparing for an addressing the COVID-19 pandemic are likely all eligible for CARES funding including reimbursement for expenses incurred to date such as for PPE, most emergency response special pay, housing for homeless families, acquiring additional technology, etc. can all be reimbursed with these federal monies.

In addition, similar expenses through the end of the calendar year 2020 would also be eligible to be funded with these federal CARES Act dollars. This would include the expansion of the Health Department's epidemiological functions as discussed in a recent budget work session and as included in the FY 2021 Budget Version 2.0. It is not known what the final level of the total COVID-19 expenses will be, but staff feels that a \$10 million cost amount is not inconceivable.

These federal funding definitions and further federal guidance issued this week also allow for the implementation of new or expanded programs to assist renters, small businesses and for food assistance. It is allowable to consider the costs of addressing the financial impacts of COVID-19 on the community as eligible CARES Act expenses.

FISCAL IMPACT: At this time without an allocation decision from the State, it is speculative how much in CARES Act funds the City will be allocated, but if the City receives the same per capita allocation as Fairfax County can receive from the federal government, then the City would receive \$27 million of the CARES Act funding. The amount allocated by the State may be lower or higher.

Regardless of the dollar amount of the allocation, it is projected that \$10 million may be sufficient to cover the City's out-of-pocket COVID-19 direct expenses. To date, the City has likely expended about \$5 million in COVID-19 related new expenses, so staff believes that the \$10 million may be sufficient funding through the end of calendar year 2020.

There is still discussion at the federal level related to additional federal financial assistance in a COVID Phase 4 legislation. In late April Congress approved COVID Phase 3.5 funding, but no additional funding to local governments was included in this COVID Phase 3.5 legislation. The COVID Phase 4 legislation, if there is added local government funding, may allow that new funding to be used to offset local government revenue losses caused by COVID-19. The City's currently estimated revenue loss is \$92 million, which may increase if the disease's impact lasts longer than the City has projected in its revenue assumptions and/or strongly reappears next flu season.

Since the amount of federal CARES funds the City will receive is currently unknown, the following allocation formula is proposed:

	<u>\$ in Millions</u>
TOTAL CARES ALLOCATION	\$ TBD
LESS CITY COVID RESPONSE COST	(-10.0)
LESS HEALTH DEPARTMENT STAFFING	(-1.0)

\$TBD

BALANCE TO BE ALLOCATED PER ATTACHMENT 1 OR PROPORTIONATELY AMONG THE FOOD SECURITY, RENTAL ASSISTANCE SMALL BUSINESS GRANTS AND RESERVE CATEGORIES AS SHOWN IN ATTACHMENT 1.

ATTACHMENTS:

1. Proposed Utilization of Federal COVID-19 Related CARES ACT Funding
2. Residential Rental Assistance Plan
3. Food Security Plan
4. Small Business Grants Program
5. COVID-19 Response and Recovery Initiatives