



The City of San Diego

Staff Report

DATE ISSUED: May 26, 2020

TO: City Council

FROM: Office of Councilmember Chris Ward,
District 3

SUBJECT: Consideration of the Creation of a COVID-19 Emergency Rental Assistance Program in
the City of San Diego

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Council District(s): Citywide

OVERVIEW:

As recognized and documented by Mayor Faulconer and the City Council, the novel coronavirus which causes the COVID-19 disease has created a pandemic contributing to extreme financial hardship for businesses, families, and individuals in the City of San Diego. On March 12, 2020, Mayor Faulconer declared a state of emergency for the City of San Diego and on March 25, 2020, the San Diego City Council approved a temporary Moratorium on Residential and Commercial Evictions related to nonpayment of rent due to substantial decrease in income or out-of-pocket medical expenses caused by either COVID-19 impacts or any governmental response to COVID-19. This action was one of several emergency actions taken by the Mayor and City Council to support impacted San Diegans.

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. The CARES Act allocated \$15.3 billion from the Fund to the State of California, and per CARES Act guidelines, the State directed the funds to communities for mitigation and recovery efforts based on population. As the second largest city in California, the City of San Diego (City) received \$248 million.

The pandemic has had unprecedented consequences on public health, the economy, and labor markets forcing individuals to face a dramatic loss of income. Landlords and property owners face an equally dramatic loss of income which leaves them unable to pay mortgages, maintain buildings, and meet demands for increased health and safety measures. As a result, one of the most immediate needs facing San Diegans at this time is rental relief. Cities across the country have adopted rental assistance programs, but no such action has been taken to date in San Diego.

Today's action is a proposal for the City to create an emergency COVID-19 Rental Assistance Program dedicating \$61,900,000 of federal CARES Act funding allocated to the City of San Diego to provide rental assistance to qualifying individuals and families to help pay rent that is due. Such a program would be managed by the San Diego Housing Commission. These targeted funds will help keep people in their homes and minimize the impact on property owners and lenders. Once the temporary Moratorium on Residential and Commercial eviction ends, families who struggled to pay rent in a healthy economy will face the burden of paying back rent as well as current rent due. A Rental Assistance Program will cover a portion of this rent to partially alleviate the financial burden.

PROPOSED ACTIONS:

Direct the creation of an emergency COVID-19 Rental Assistance Program dedicating \$61,900,000 of CARES Act funding allocated to the City of San Diego to provide rental assistance to qualifying individuals and families who have suffered a substantial decrease in income due to the COVID-19 pandemic.

DISCUSSION OF ITEM:

The City of San Diego has experienced significant adverse impacts due to the COVID-19 pandemic. Among other emergency actions taken, on March 25, 2020, the San Diego City Council approved a temporary Moratorium on Residential and Commercial Evictions due to nonpayment of rent arising out of a substantial decrease in income or substantial out-of-pocket medical expenses caused by either COVID-19, or any governmental response to COVID-19. On March 25, 2020, the City Council also approved the establishment of a Small Business Relief Fund to support small businesses in their ability to sustain operations and retain employees as a result of COVID-19.

The City recognizes that the pandemic has placed an enormous economic strain on families to pay rent, and subsequently on landlords and property owners to pay mortgages and maintain buildings that are healthy and safe. An eviction moratorium has provided short-term relief, but without financial assistance to cover lost payments, these protections are merely delaying eviction and housing market crises. The City has provided important economic relief to San Diego businesses through the Small Business Relief Fund, but no similar action has been taken to help families pay rent. One of the most immediate needs facing San Diegans at this time is rental relief and providing rental assistance payments to families in need is an appropriate action for the City to take.

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. The CARES Act provides \$150 billion in payments to states and local governments from its Coronavirus Relief Fund (Fund) that may only be used to cover costs that: (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of the date of enactment of the CARES Act; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020.

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The May Revision to the Fiscal Year 2021 Budget outlines the expenditures of the City's CARES Act funding, proposing \$42.2 million for Police Payroll, Staffing and Supplies, \$38.9 million for Fire-Rescue Payroll, Staffing and Supplies, and \$39.7 million for Operation Shelter to Home, among other expenses. Today's proposal to create an Emergency Rental Assistance Program recommends redirecting a portion of these funds, specifically, \$21.1 million from Police Payroll, \$21.1 million from Fire-Rescue Payroll, and \$19.7 million from Operation Shelter to Home, to ensure a \$61,900,000 for rental assistance. This recommendation is underscored by the urgent need to provide direct cash assistance to San Diego's families hardest hit by the COVID-19 pandemic to help pay rent in a time of crisis. Without this type of assistance, these families run the risk of losing their homes, through no fault of their own. In contrast, while financial support for public safety payroll is laudable, and eligible for CARES Act funding assistance, the same assistance can be provided through the City's General Fund Reserve. Finally, maintaining \$20 million in Operation Shelter to home allows for this valuable program to continue operating through August, when the convention center should start to transition back to normal bookings.

Cities across the United States have adopted rental assistance programs, including Tacoma, Washington; Dallas, Texas; Boston, Massachusetts; Austin, Texas, and Tampa, Florida among others.

The City of San Diego has approximately 273,050 units that are renter-occupied (49% of the total). Of these, approximately 60,000 households (22%) earn less than 30% Area Median Income (AMI), and an additional 104,500 (38%) earn between 30% and 80% AMI. Where thousands of individuals have filed for unemployment insurance and will receive some assistance, this assistance will not be sufficient to address the rent payment obligations needed by many of the hardest hit households. Further, San Diego's most vulnerable residents, neighborhoods with the highest percentage of lower income families, are leaders among the unemployed: Logan Heights leads San Diego County in unemployment, with more than 42% of residents out of work. Golden Hill, City Heights, the College area and San Ysidro are close behind with more than 34% unemployment.

As proposed, a \$61,900,000 Emergency Rental Assistance Program in San Diego would offer a maximum of \$4,000 to households with a San Diego address who have experienced a significant loss of income due to COVID-19 and who had a gross household income less than or equal to 60% AMI prior to change in employment due to the pandemic. Prioritization would be given to families with minor children, to seniors, and to those suffering from employment loss. Of the \$4,000, half or \$2,000 could be used for rent debt relief and the remaining balance could be used for rent due in upcoming months. Eligibility would exclude anyone currently receiving ongoing housing assistance, such as Section 8 or residing in affordable properties like tax credit units, or anyone whose savings may meet their housing needs. A portion of the funds – limited to 9 percent - would be reserved for administration and for assistance to qualifying non-profit organizations to help with tenant counseling, outreach and education to ensure program success.

Rent is one of the cornerstones of a housing ecosystem and the proposed emergency rental assistance will keep families housed as they face extreme financial hardship, will help pay expenses due to property owners and lenders, and will help mitigate a housing market crisis. Approval of the requested \$61,900,000 would help an estimated 15,000 rental households, assuming each of the households received the proposed maximum of \$4,000 assistance. While this falls short of the overall need, it can be a critical economic lifeline to both rental households and landlords during this time.

A summary of recommended components of the Emergency Rental Assistance Program are outlined below.

Total Fund Amount	\$61,900,000
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Population Criteria	Households with a City of San Diego address who have experienced a significant loss of income due to COVID-19, related medical issues, or government actions. Prioritization would be given to families with minor children, seniors, and those suffering from employment loss.
Income Qualifications	Families or individuals with a gross household income at 60% Area Median Income prior to change in employment due to COVID-19.
Assistance Payments	\$4,000 where up to \$2,000 may be used for debt relief and remaining balance used for upcoming months.
Assistance Duration	The program shall continue until funds are utilized. Household eligibility shall be reviewed for one round of funding.
Benefits Status	Eligibility excludes (1) Anyone currently receiving ongoing housing assistance, such as Section 8 or residing in affordable properties like tax credit units, or (2) Anyone whose savings may meet their housing needs.
Administration	San Diego Housing Commission
Recipient	Rental property owner or applicable management company
Application Process	Online or by phone
Application Acceptance	Families will have two weeks to apply and afterwards, a lottery system would be applied to review eligibility and make awards.
Funding Source	CARES Act funding, philanthropic donations
Administration	9% of the funding would be reserved for administration and for paid assistance to qualifying non-profits to provide tenant outreach and education.

Fiscal Considerations: This action has no fiscal impact. This proposal seeks policy direction for the creation of a Rental Assistance Program in San Diego, including use of federal CARES Act funding. Should a recommendation be made to allocate funding towards a Rental Assistance Program, including CARES Act funding, authorization to allocate that funding will occur at a future date.

City Strategic Plan Goal(s)/Objective(s):

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods
 Objective 6: Decrease unsheltered homelessness

Goal #3: Create and sustain a resilient and economically prosperous City with opportunity in every community

Environmental Impact:

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b) (5), as it is an organizational or administrative activity of government that will not Result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c) (3), is not appealable and a Notice of Right to Appeal the Environmental determination (NORA) is not required.

Equal Opportunity Contracting Information (if applicable):

Previous Council and/or Committee Actions: N/A

Key Stakeholders and Community Outreach Efforts: Review of similar programs in other U.S. cities.

Molly Chase

Chief of Staff, City of San Diego City Council
District 3