

CITY COUNCIL STUDY SESSION

American Rescue Plan Act (ARPA) funding: gaps and recommendation for allocation of partial funding.

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DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff returns with the most critical community needs for use of the American Rescue Plan Act (ARPA) funding, which includes \$20.1 million of direct federal funding for the City of Bellevue. Staff requests direction to bring back appropriate legislation including needed budget amendment(s) and authorization to use up to \$8 million of ARPA funding to implement Council direction, if received.

RECOMMENDATION

Direct staff to return on August 2 with appropriate legislation including budget amendments and authorization to implement Council direction including the use of up to \$8 million of ARPA funding.

BACKGROUND & ANALYSIS**Background**

On March 11, President Biden signed the American Rescue Plan Act of 2021 (ARPA) into law. This legislation allocated \$1.9 trillion in aid across a variety of programs intended to address the impacts of COVID-19. Over 70 percent of the ARPA funding went towards direct individual economic impact payments (\$1,400 one-time checks for individuals with less than \$75,000 in income), providing enhanced unemployment insurance (\$300 per week in additional unemployment payments), expansion of business and individual tax credit programs, and direct funding for education and pension systems. In addition, there was substantial funding for economic development and small business relief (\$40 billion), relief for children and families (\$15 billion), housing and utility assistance (\$47 billion), food assistance programs (\$8 billion), disaster relief (\$50 billion), and state and local government fiscal aid (\$350 billion), of which Bellevue receives \$20.1 million in funding to be distributed directly from the United States Treasury Department. The funding will be disbursed to the City in two \$10 million tranches – the first tranche has been received, and the second will be received in mid-2022.

On June 7, Council directed staff to return with a resolution authorizing the acceptance of coronavirus state and local fiscal recovery funds authorized by ARPA; and on June 14, Council adopted Resolution No. 9953 authorizing the acceptance of the grant funding and the execution of the Coronavirus Local

Fiscal Recovery Fund agreement. Since that time, the agreement has been executed, and the City has received the first tranche of \$10 million in funding.

Tonight, staff is presenting the most critical gaps in the community for consideration for the use of ARPA funding in response to COVID-19 and/or its negative economic impacts. If directed by Council, staff will return on August 2 with appropriate legislation for Council action.

ARPA Guidelines

Per the Treasury Department's Interim Final Rule (IFR) – the federal guidance governing this program – the legislative intent of the funds is to “provide support to state, local, and tribal governments in responding to the impact of COVID-19 and in their efforts to contain COVID-19 on their communities, residents and businesses.” The guidance identifies the following broad categories as eligible uses of funds:

- Responding to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.
- Providing premium pay to eligible essential workers employed by local governments, or by providing grants to eligible employers that have eligible workers who perform essential work.
- For the provision of government services to the extent of the reduction in revenue relative to revenues collected in the most recent full fiscal year prior to the emergency, factoring in growth.
- To make necessary investments in water, sewer, or broadband infrastructure.

The Treasury Department interprets the requirements laid out in ARPA that eligible costs “be incurred” by December 31, 2024, to require only that recipients have obligated the funds by December 31, 2024. Funds may be spent to cover such obligations through December 31, 2026. Per the IFR, the City of Bellevue will be required to provide quarterly monitoring reports through the end of 2026 to the Treasury Department regarding the use of these funds.

Most Critical Gaps and Recommendation for Allocation of ARPA

While the impacts and recovery of COVID-19 have generated a wide variety of needs, the most critical needs at this time include rent/eviction relief, workforce assistance, and small business rent assistance. The recommendation is to appropriate and implement programs for up to \$8 million of the total \$20.1 million of the City's ARPA funding allotment and reserve the additional \$2 million from the first tranche and the \$10 million from the second tranche until more information is known.

The up to \$8 million initial program includes:

- Human Services: Eviction/Rent Relief up to \$7 million
As a consequence of the COVID-19 pandemic, the data suggests that in the City of Bellevue, approximately 2,000 households are considered “very likely” to be evicted within the next two months, and approximately 5,600 households are considered “somewhat likely” to be evicted within the next two months (US Census Bureau Pulse Surveys, with overlay of Bellevue demographics). The average rental debt owed by these households ranges from \$4,000 (National Equity Atlas) - \$11,000 (King County Bar Association).

By investing in eviction/rent relief the goal will be to stabilize housing for those most impacted by COVID-19 and its negative economic impacts. The program would allow for up to \$7 million including administrative costs to assist approximately 1,000 households to be helped by clearing 100 percent of past rent due and assisting with an additional three months of rent going forward.

Housing First interventions focus on helping people achieve stability in housing first. This is often a critical precursor to other improvements in their lives. People with the foundation of a home are better positioned to take advantage of supportive services, and they have the stability in which to engage in a job search. Housing provides the platform they need to provide care and continuity for their young children. They have a place to store food, beyond their next meal. They have the safety that housing affords. They have a safe place to store medication and address their health and mental health needs. The absence of housing support makes attaining personal goals much harder to achieve. In addition, the cost to re-house an individual experiencing homelessness is significantly higher than the cost of maintaining housing for an individual or family in crisis (National Alliance to End Homelessness).

Other areas of significant need are better addressed when an individual or family has the safety and stability of housing. In addition, the other top community needs also have dedicated funding sources (i.e. dedicated Federal funding for food assistance programs, childcare support from the Best Start Kids levy and the Washington State Working Connections Childcare Program, and 1590 funds for behavioral health), and each of these top needs also received dollars from the City of Bellevue via various COVID-19 relief funds.

Other informative data points:

- In an average year, there are 17,000 evictions filed in the state. According to the King County Bar Association's Housing Justice Project, even a few thousand additional evictions could overwhelm the court system.
- The Northwest Justice Project estimates that roughly 60,000 to 140,000 people in Washington state are in danger of eviction or mortgage default. According to the most recent U.S. Census Bureau's Household Pulse Survey, 60 percent of all respondents in Washington (166,186 respondents) report it is very likely (30,571 respondents) or somewhat likely (67,826 respondents) they will have to leave their home due to eviction. That same survey suggested that across the Seattle metro area (which includes Bellevue), an estimated 89,475 households are currently behind on rent.
- King County estimates that nearly 50,000 households are at risk of eviction without rental assistance resources. In 2020, more than 25,000 households expressed a need for rental assistance from the King County Eviction Prevention and Rental Assistance Program (EPRAP). Bellevue residents represented only 4 percent (401 residents) of all households eligible for the individual tenant lottery and only 3 percent (169 residents) of those selected.
- Economic Development: Workforce Assistance and Small Business Rent Relief up to \$1 million
The full reopening of Washington state on June 30 has provided significant relief to the local economy as workers and tourists have begun to return. However, as a consequence of the pandemic, certain activities will continue to be significantly below normal levels for some time and the accelerated adoption of automation during the last 18 months means that certain jobs

will not return, especially lower-skilled jobs in the tourism and services sectors. Staff recommends two programs in response to COVID-19 and its negative economic impacts to help mitigate further closures and accelerate retraining for impacted workers.

- Workforce Program and Resource Navigator - \$500,000

The COVID-19 pandemic has caused many individuals to be unemployed or underemployed, there are approximately 3,300 unemployed, job-seeking residents in Bellevue. To connect these residents with employment and training opportunities, the program would support more than 2,100 Bellevue residents in making faster and clearer connections with existing upskilling and training resources. Additionally, the program would provide coordination between residents, employers, and training providers to reduce barriers and make for a better experience.

To drive this effort, the program would strive to have 100 business and 1,000 residents participating in a regional job board and have 20 businesses proving new internship or mentorship programs. Staff anticipates that this program will provide long-term benefits including:

- Reduced unemployment rate among residents
- Higher labor force participate rate among residents
- Increased share of Bellevue residents working in Bellevue.
- Improved workforce participation rate for diverse communities

- Small Business Rent Relief - \$500,000

Based on the best information available to staff, 25 percent of commercial tenants are seeking rental assistance. The most heavily impacted industries include personal services, health/wellness, and the creative economy which continue to struggle with burdensome debt loads, as a result of the pandemic. The program is intended to prevent additional small business closures and mitigate unemployment that could result. To that end, the program will target direct relief to landlords and property owners to pay down deferred or back rent for about 55 businesses and cultural nonprofits, focusing on personal services, health/wellness, and creative economy.

The impacts of COVID-19 and its recovery continue to evolve and as such there will be events and community needs that are not yet identified in addition to the COVID related needs identified above. As such, staff proposes that the remaining \$2 million from the first \$10 million tranche of the City's ARPA allotment be set aside and reserved to address needs that may arise which are not yet known as well as allocate and appropriate the second \$10 million tranche when the funding arrives, which is anticipated to be received in 2022. Staff will return to Council with additional information as the needs are determined.

POLICY & FISCAL IMPACTS

Policy Impact

Recommendations for acceptance and use of the ARPA funds are supported by the following goal of the City of Bellevue Comprehensive Plan, Human Services Element:

Human Services Vision: Bellevue is a community that cares. Every member of the community has the opportunity to achieve their potential and enhance their quality of life. A system of human services assists people in times of need and invests in the development of healthy individuals and families.

Additionally, the acceptance and use of the ARPA funds are supported by the desired outcomes in City of Bellevue Economic Development Plan including:

A resilient local economy that supports the City's ability to provide quality services to residents and business owners and enhances economic resiliency. Investment by businesses and individuals from many sectors and many countries contributes to the health and vitality of the Bellevue economy.

Employment opportunities and paths to prosperity for a wide range of residents and workers. Bellevue is a diverse community, encompassing residents employed by the world's most innovative technology companies as well as others who struggle to live in an increasingly expensive City. The City's economic development activities include programs that benefit residents and workers of all backgrounds and income levels. This includes helping individuals and families find the technical skills and entrepreneurial resources to advance their economic wellbeing.

Fiscal Impact

There is no fiscal impact. If Council directs and authorizes spending, staff will return with legislation that will provide to up to \$8 million in spending direction.

OPTIONS

1. Direct staff to return on August 2 with appropriate legislation including budget amendments and authorization to implement Council direction including the use of up to \$8 million of ARPA funding.
2. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan