



## CITY OF MILPITAS AGENDA REPORT (AR)

<b>Item Title:</b>	<b>Provide Direction on American Rescue Plan Act (ARPA) Funding for Council Priority Items and Modifications to the ARPA Investment Plan and Provide Input on Proposed Process for Future Changes to the ARPA Investment Plan</b>
<b>Category:</b>	Leadership and Support Services
<b>Meeting Date:</b>	<a href="#">3/1/2022</a>
<b>Staff Contact:</b>	<b>Ashwini Kantak, Assistant City Manager, 408-586-3053 Lauren Lai, Director of Finance, 408-586-3111</b>
<b>Recommendations:</b>	<ol style="list-style-type: none"> <li>1. Consider Council priority items for American Rescue Plan Act (ARPA) funding and provide direction to staff on any required modifications to the ARPA Investment Plan to allow for the additional allocation</li> <li>2. Review and provide input to staff on proposed process for future changes to the ARPA Investment Plan</li> </ol>

### **Background:**

In March 2020, due to the rampant spread of the Coronavirus (Pandemic), a state of emergency was declared at the local, state, and federal levels and stay-at-home orders issued, which had an enormous impact on the local, state and national economy as well as the City's finances.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA), a \$1.9 trillion stimulus package, to counteract the economic impacts of the pandemic. The City's ARPA allocation of \$16,736,815 is available in two tranches; the first half was received in June 2021, and the second half will be provided in June 2022. Funds need to be either expended or encumbered by December 31, 2024, with all funds to be expended by December 31, 2026.

On May 11 ([link to staff report](#)), staff presented preliminary information on ARPA's Coronavirus State and Local Fiscal Recovery Funding. Staff also provided information on other funding through ARPA that could benefit the Milpitas community since the Coronavirus Local Fiscal Recovery Funding (CLFRF) is only a portion of the total ARPA funding. Staff received Council input on ARPA Plan spending priorities in May and June ([June 8 Council Meeting agenda report](#)). A majority of the spending priorities were related to financial assistance and social services to those impacted by the pandemic, economic vitality, infrastructure, public safety, and technology.

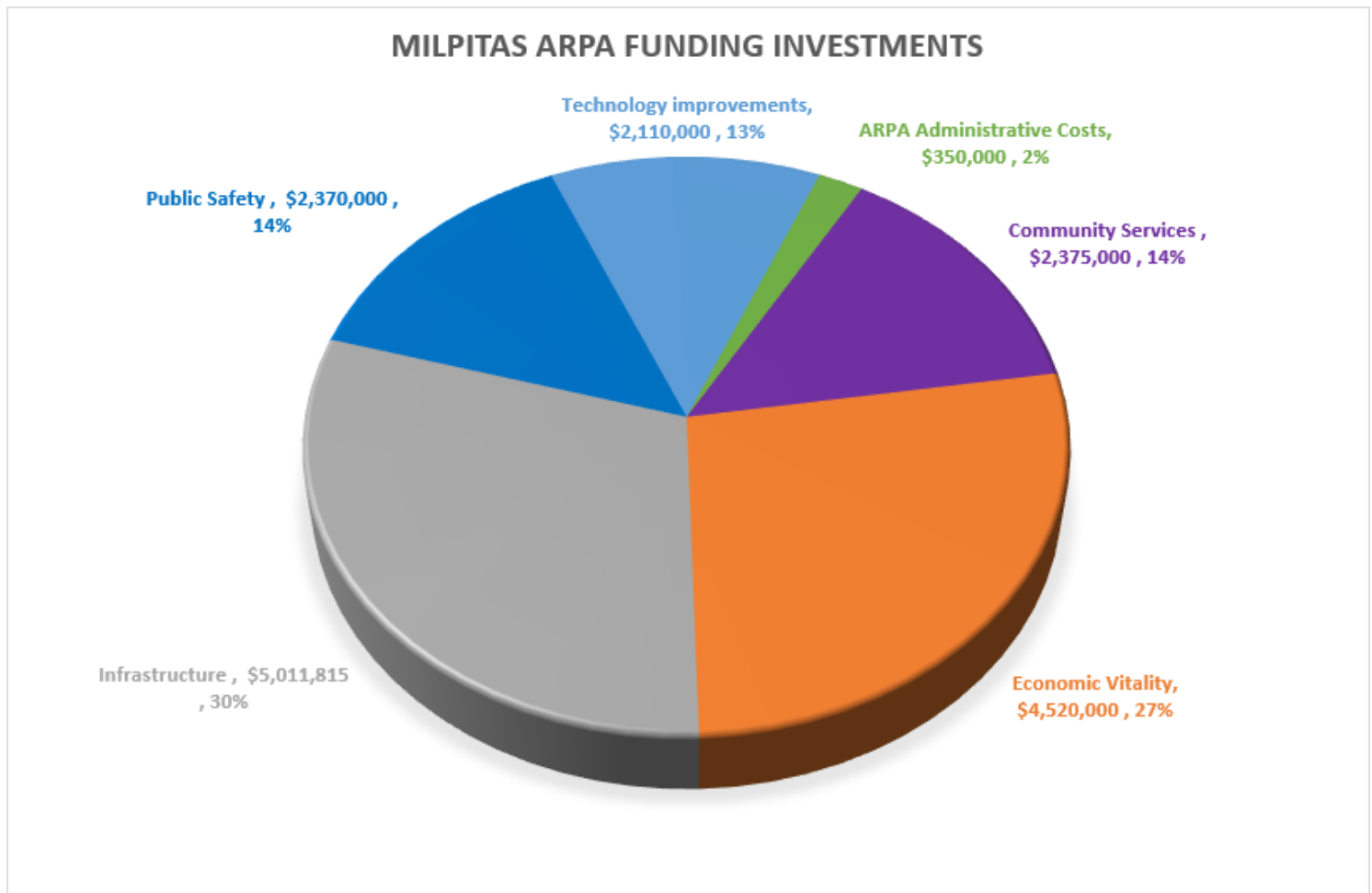
On June 21 ([link to the agenda report](#)), Council approved the ARPA Investment Framework including the Fiscal Guidelines and Five Investment Areas. Fiscal Guidelines include the following:

1. Identify and promote **other ARPA or State funding sources** to the extent possible before dedicating local ARPA funds.
2. Use one-time ARPA funds for **one-time expenditures** such as investment in infrastructure or technology with minimum ongoing operating costs.
3. **Avoid ongoing General Fund commitments** with additional programs and positions.
4. **Avoid creating a structural budget deficit** if restoring any reduced services.
5. Leverage **regional agencies, non-profit partners, and existing programs** to maximize efficiency in delivering programs and services.

On August 9 ([link to the agenda report](#)), Council approved funding for 25 programs in the ARPA Investment Plan and delegated authority to the City Manager to proceed with appropriation actions and contract approvals,

up to the approved amount for each program approved by Council, once compliance with ARPA procurement, contracting, and reporting requirements are confirmed. This will allow the funding to go to residents and businesses significantly impacted by the pandemic, in an efficient and expeditious manner.

Funding for the Five Investment areas of **Community Services**, **Economic Vitality**, **Infrastructure**, **Public Safety**, and **Technology** is as follows:



On January 11, 2022 ([link to the agenda report](#)), Council approved program funding re-allocations to enhance service delivery and/or streamline implementation, especially procurement.

Based on Council feedback at the January 25, 2022, Budget Study Session and as a part of the Fiscal Year 2022-23 budget development, Staff is requesting the Council consideration of priority items for potential ARPA funding and direction to staff on any required modifications to the ARPA Investment Plan to allow for the additional allocation.

**Analysis:**

As part of the budget development process, Staff strategically evaluates priorities and funding options. In this process, Staff is exploring the option of ARPA funding for various City services that may align with the Council's Five ARPA Investment Areas. Council may want to consider these priority items for ARPA funding and provide direction to staff on modifications, if any, to the ARPA Investment Plan. Since there may not be sufficient funding to re-allocate from other ARPA programs, staff is also seeking Council input on whether other funding sources should be evaluated for funding the items discussed below. If Council determines these to be priorities that need to be incorporated into the Fiscal Year 2022-2023 budget development, then Staff will receive that information accordingly.

### Business Improvement District (\$75,000)

ARPA funding could be used for the business improvement district (BID) feasibility analysis and technical support for property owners and business owners on Main Street to assist with the formation of a BID and an engineer's report. A feasibility and analysis study will cost approximately \$75,000 in one-time funding.

A business improvement district (BID) is a geographic area in which businesses opt to pay a self-assessed levy to fund projects and services within the district's boundaries. The services provided by BIDs are supplemental to those already provided by the City of Milpitas. In alignment with Strategy 31 of the Economic Development Strategy (EDS) to position Main Street (Midtown) as a community destination for local, independent retail and restaurants, the Office of Economic Development is proposing that a consultant conduct a feasibility analysis for the creation of either a property-based BID or a business-based BID for a portion of downtown on North and South Main Street.

Specifically, the BID is aligned with EDS Implementation Actions 31.3: Provide technical support for property/business owners on Main Street to explore forming a BID; funding services for BID formation consultant, and Action 31.6: Work with businesses to explore/implement rebranding of Main Street; possible funding from a new area BID. In addition, the formation of a BID would support the vision of Main Street as will be articulated in the ongoing Milpitas Gateway - Main Street Specific Plan update, for which its purpose is described in the General Plan 2040 as "to create an economically-viable main street type development that serves as a cultural hub of the city." Furthermore, the section Fiscal Sustainability under the Economic Development Element of the General Plan specifies Action ED-2c to "evaluate the feasibility of creating business improvement districts...to fund improvements and maintenance that support economic development."

As part of COVID-19 economic recovery, the City Council has been particularly focused on Main Street Revitalization efforts including the Pilot Storefront Improvement Grant Program, for both of which a BID would serve as a positive catalyst. BIDs are employed as an economic development tool to fund services such as cleaning streets, providing security, making capital improvements, construction of pedestrian and streetscape enhancements, various public infrastructure improvements, restoring and re-establishing historic districts, and marketing the area.

The formation of a BID is also aligned with Council Priority Area Economic Development and Job Growth (as listed in FY22 Adopted Budget and Financial Plan); and at the October 5, 2021, City Council meeting, Council recommended that the BID topic be sent to the Economic Development and Trade Commission, which will consider this matter on February 14, 2022. On February 14, 2022, the Economic Development and Trade Commission discussed establishing a BID. The response was favorable as it would complement Main Street Revitalization efforts through branding, the Specific Plan, and spur economic vitality by assisting the small business community.

Staff is requesting Council consideration of a potential allocation of \$75,000 of ARPA funding to the BID feasibility and analysis.

### Unhoused Services (\$100,000)

ARPA funding could be used to continue the current services with Santa Clara County Office of Supportive Housing and the County's Homeless Engagement and Access Team (HEAT). Under the current \$200,000 agreement with the County, the HEAT Team, via Abode Services, began providing homeless outreach, assessment, and street-based case management services in March 2021. The HEAT Team performs outreach throughout Milpitas to engage and provide resources to the City's unhoused residents. The HEAT Team conducts assessments to enable more unhoused Milpitas residents to be enrolled into the County's community queue, which provides housing referrals to County-funded housing programs for placement into housing.

From March through December 2021, the HEAT Team conducted assessments for 119 unhoused Milpitas residents. Since services began, the HEAT Team's outreach and assessment of clients has increased the number of Milpitas clients that have been assessed and that are in the community queue, leading to more Milpitas clients being housed or being in the process to be housed.

For instance, during the contract period, a total of 32 unhoused residents in Milpitas have been referred to a housing program thus far. While this is not a performance measure in the agreement with the County, it demonstrates the benefit of increasing the assessments. The following highlights the current status of the 32 unhoused individuals referred to a housing program.

- 7 clients have been permanently housed.
- 7 clients are in housing search looking for an apartment.
- 8 clients are working on apartment applications with the County’s Client Engagement Team for permanent housing.
- 10 clients have been referred to housing but have not yet been located by outreach workers.

The funding for this initial year of services will be expended by the end of this fiscal year. Given the major outreach and assessment effort completed in the first year of services, staff anticipates requiring reduced funding for ongoing services. Staff is requesting Council consideration of three potential options:

1. An allocation of \$100,000 of ARPA funding to continue current services. This level will fund approximately one full-time outreach worker for Milpitas.
2. A potential allocation of \$50,000 will fund approximately a 0.5 FTE. This will increase the response time for City referrals and decrease the City’s flexibility to make requests at any time.
3. If the City chooses not to contract with the County for enhanced outreach services, the County will continue to provide these services but Milpitas referrals will be considered as part of County wide referrals, without an expedited response time or any reporting. Instead of the City making Milpitas referrals directly to Abode Services through the streamlined process the City established last year, the City will need to send Milpitas referrals to the County.

The County has also indicated that they are not resourced to provide monthly reports but will instead provide quarterly reports, similar to what they do for other cities. This change in frequency of reporting is proposed regardless of whether these services are funded at \$100,000 or \$50,000.

Another type of service the County provides cities is intensive project-based case management for permanent supportive housing. When supportive housing units in upcoming projects become available for occupancy, this type of service may be explored at \$13,500 per client per year. However, staff is not recommending this service currently as new supportive housing units are not available and the level of funding required is also not sustainable.

In response to a request at the February 15 Council meeting, included below is information about other cities in Santa Clara County that have contracted with the County for outreach and/or case management.

City	Contract Amount	Services
Morgan Hill	\$50,000	Outreach (in FY 23 this funding will be shifting to homelessness prevention)
Mountain View	\$585,000	Intensive Case Management for Permanent Supportive Housing (\$125,000) Outreach (\$60,000) Safe Parking (\$400,000)
Santa Clara	\$125,000	Intensive Case Management for Permanent Supportive Housing
San Jose	\$1,000,000	Intensive Case Management for Permanent Supportive Housing

Milpitas Sustainable Neighbor Education Program (\$60,000)

Per Councilmember Chua’s request at the January 11 Council meeting, \$60,000 of ARPA funding could be allocated to fund a Sustainable Neighbor Education Program. The purpose of this program is to support Milpitas in achieving its CAP (Climate Action Plan) goals by demonstrating how the community can utilize the

many city-promoted and city-supported sustainability and resiliency programs to reduce GHG emissions; developing and instilling long term skills and behaviors that can be shared with neighbors, family, friends and future generations to continue a low environmental impact community; promoting “how-to” steps that work; and proving Milpitas' resilience to global trends, like climate change and pandemics.

The funding would be used to recruit up to 8 - 10 Milpitas volunteers (from different housing types) that will receive specific training and technical assistance to identify and implement a sustainability plan that can serve as a road map for various home improvements and behavioral changes that will reduce GHG emissions and resource impact. The program will provide training and support (coaching, technical assistance, and connecting to financial incentives such as rebates from SVCE or Energy Upgrade California program) over the course of participation; develop documentation (written, audio and video) of the challenges faced by each participant, coaching provided, attempts made, and failures and successes encountered. The program will highlight learnings; publish and highlight key changes that contribute to significantly lowering a resident’s GHG emissions and environmental impact through home electrification (building, appliances, products, services and behavior) and other indoor and outdoor water efficiency retrofits and encourage other Milpitas residents to learn from their neighbors and implement their own actions at home. City will also seek funding from Silicon Valley Clean Energy to augment/enhance this budget.

Estimated costs of the program:

Fellow or intern to develop and administer program	\$25,000
Grant/incentive for each volunteer participant of up to \$2,000 each	\$20,000
Outreach and education materials include video showcases that will serve as models to encourage other residents to make similar electrification/sustainability retrofits.	\$15,000
<b>Total</b>	<b>\$60,000</b>

Parks (\$350,000)

While the current ARPA Investment Plan allocates a significant amount of \$4.4 million (or 26%) of the total \$16.7 million Milpitas ARPA funding, there has been Council discussion about funding an additional \$350,000 to complete short-time improvements for the remaining two parks that were determined to be in poor condition. ARPA could be a funding source, albeit it may be difficult to re-allocate up to \$350,000 from the existing Five Investment Areas.

Potential Re-allocation of Milpitas ARPA Programs

Since the City received its first tranche of ARPA funding in June 2021, more information, opportunities, and priorities present themselves which weren’t known when the 25 ARPA funded programs were authorized. Accordingly, Council may want to consider re-allocation from and/or within some programs such as Main Street Revitalization, Chamber of Commerce, Accessory Dwelling Units Program, and Community Events.

Main St. Revitalization (\$500,000) -- Since spring 2020, the Pilot Storefront Improvement Grant Program (See Attachment 1 for additional information) has been underway. This \$50,000 program is funded by the Community Benefit Fund. The Pilot Program’s purpose is to improve the appearance of commercial storefronts to encourage economic vitality, enhance business marketability, increase property values, and attract residents, visitors, and new businesses to the enhanced business district. The Pilot Program is designed to benefit businesses located on Main Street and be a catalyst for future investment in the downtown and Main Street Revitalization. While there have been applicants and some interest in the Pilot Program, based upon the information to date, it appears the current ARPA allocation of \$400,000 to Main St. Revitalization may not be expediently deployed as intended. Council may want to consider reducing this amount to \$270,000 and reallocating \$70,000 to the BID study and \$60,000 to the Milpitas Sustainable Program. This will allow for longer term enhancements and services on Main Street, contingent on the

businesses agreeing to form a BID, and will play an important role in the revitalization of Main Street through infrastructure improvements, landscaping, branding and economic vitality elements. Also, this will support the City's efforts in achieving its CAP (Climate Action Plan) goals through city-supported sustainability and resiliency programs to reduce GHG emissions

Chamber of Commerce (\$200,000) – In 2021 and early 2022, the City Council met multiple times to consider ARPA funding to assist the Milpitas business community through its Economic Vitality Investment Framework. The approved ARPA Investment Plan included \$200,000 of ARPA funding for the Milpitas Chamber of Commerce (Chamber) to support local businesses through the following events and business assistance activities: Crab Feed, Art and Wine Festival, Business Workshops, and Job Fair(s).

ARPA is governed by federal rules and has rigorous reporting and compliance requirements. The ARPA Investment Plan envisioned the Chamber as a beneficiary. Unlike sub-recipients, beneficiaries do not require a competitive procurement process and the reporting requirements are less rigorous. As stated above, the Council was interested in having the Chamber use the money towards specific events and activities. Given the funding amount of \$200,000 and the potential appearance of the Chamber delivering services on behalf of the City, the Chamber could be classified as a sub-recipient. This would require a competitive solicitation (with no guarantee of the Chamber receiving the funding), specific commitments on deliverables and rigorous reporting requirements. Even if the Chamber is the successful sub-recipient through a competitive procurement process, it could result in challenges around reporting given the uncertainty around the specific programs and events as described below.

Due to the pandemic's public health and safety concerns, availability of financial and human resources, and interest by the business community, the Chamber is experiencing challenges in scheduling and implementation of previously proposed events and programs. Therefore, staff recommends the following ARPA funding modifications based on conversations with Chamber representatives:

- Chamber ARPA funding will consist of 2 tranches of \$100,000 each, with flexibility for staffing resources.
- The first tranche (Year 1) will be disbursed upon execution of a grant agreement by and between the City of Milpitas and the Chamber. The second tranche (Year 2) will be contingent upon a successful first year of ARPA funding for Chamber staffing resources and be considered as part of the overall City Council ARPA funding priorities.
- ARPA funding flexibility for staffing resources will be additive and an enhancement to the current Chamber staffing.
- The additional staffing will allow the Chamber to assist local businesses that have been negatively impacted by the pandemic through various programs, initiatives and events for business resiliency and recovery.
- The Chamber will fundraise to ensure that additional staffing services levels continue after receiving the one-time ARPA funding from the City.

Since the grant award will exceed \$50,000, the Chamber will be required to provide information regarding proposed objectives, outcomes, number of people served, etc. which will be outlined in the grant agreement.

#### Rental and mortgage assistance to low and moderate income residents (\$1,200,000)

The Council approved the Milpitas rental and mortgage assistance program to assist those impacted financially by COVID. Also, Council previously expressed the policy of leveraging other governmental resources with Milpitas ARPA funding. In the area of rental and mortgage assistance, various State and Federal funding sources exist. For this reason, Council may want to consider reducing this amount by up to \$100,000 and reallocating up to \$100,000 to continue the unhoused services with the County. This would enable the City to continue assisting the unhoused who may also have been negatively impacted by the pandemic.

Community Events – Council approved \$200,000 in ARPA funding for Community Events to support business revitalization. Funding would provide enhancements to the July 4th 2022 celebrations with the addition of a Ferris Wheel and a parade, four pop-up events related to agriculture, art walks, and camping in the park, cultural events reflective of our community such as Holi, Hoi An (Vietnamese Lantern Festival), and Día de los Muertos (Day of the Dead). \$70,000 of this funding is already committed for the first year, leaving \$62,000 of uncommitted funds for year 1. For all three program years, there is a total of \$130,000 of uncommitted funds. An example of an event that could be considered for funding in lieu of other community events is a 3-Day Roller Skating Summer Event, estimated at \$105,000 and recently approved by Council as a priority item. Another event that could be considered for funding could be a 3-Day Holiday Magic event in December 2022.

Uncommitted estimated costs of ARPA Community Events are:

<b>Event Description</b>	<b>Estimated Cost</b>
4 <sup>th</sup> of July Enhancements Ferris Wheel (3-year funding), Parade (1-year funding)	\$75,000
Earth Day/Agriculture (3-year funding)	\$7,500
Art Walk/Project Event (2-year funding)	\$5,000
Camping in the Park (3-year funding)	\$10,500
Holi Event (2-year funding)	\$6,000
Lantern Festival (2-year funding)	\$8,000
Day of the Dead (2-year funding)	\$6,000
Marketing & Outreach (3-year funding)	\$12,000
<b>Total</b>	<b>\$130,000</b>

**Proposed process for future changes to the ARPA Investment Plan**

While on August 9, Council approved funding for 25 programs in the ARPA Investment Plan and delegated authority to the City Manager to proceed with appropriation actions and contract approvals, up to the approved amount for each program approved by Council, Staff recommends an annual review of the ARPA funding allocation as a part of the annual budget development. The fiscal year 2022-23 budget development is currently underway, and Staff is requesting Council consideration of these and other priorities which may warrant ARPA funding re-allocation. This proposed process for ARPA funding would align with the citywide budget development and also maximize efficacy of budget management and service delivery.

**TABLE 1: SUMMARY OF ARPA INVESTMENT PLAN – as of January 11, 2022 (For Reference)**

No.	Program/Activity	Proposed Funding	FY 21-22 Funding	Estimated Time
<b>Community Services</b>				
1.	Rent relief and mortgage assistance to low and moderate income residents – related to pandemic	\$1,200,000	\$600,000	2 years
2.	Social services – mental health services, services for domestic violence and abuse victims and LGBTQ plus community, senior nutrition program	\$500,000	\$125,000	3 years
3.	Financial assistance to low and moderate income residents for utility payments, recreation classes, and digital access	\$400,000	\$100,000	3 years
4a.	Beautify Milpitas program	\$100,000	\$25,000	4 years
4b.	Weed Abatement	\$90,000	\$90,000	1 year
5.	Pilot curbside trash pickup program	\$85,000	\$85,000	3 months
	<b>Subtotal</b>	<b>\$2,375,000</b>	<b>\$1,025,000</b>	
<b>Economic Vitality</b>				
6.	Small business assistance – related to pandemic	\$1,500,000	\$1,500,000	1 year
7.	Assistance to hotels	\$200,000	\$200,000	1 year
8.	Accessory Dwelling Unit program	\$1,290,000	\$500,000	3 years
9.	Main Street Revitalization	\$500,000	\$250,000	2 years
10.	Community events	\$200,000	\$100,000	2 years
11.	Financial assistance to the Chamber of Commerce	\$200,000	\$100,000	2 years
12.	Workforce development	\$300,000	\$150,000	2 years
13.	Limited term Economic Development Specialist position	\$330,000	\$165,000	2 years
	<b>Subtotal</b>	<b>\$4,520,000</b>	<b>\$2,965,000</b>	
<b>Infrastructure</b>				
14.	Parks Rehabilitation	\$4,386,815	\$2,000,000	4 years
15.	Public Safety Facilities' Rehabilitation	\$250,000	-	1 year (FY 22-23)
16.	Mobile Emergency Operations Center (in lieu of COVID Safe Facilities Improvements)	\$375,000	\$375,000	1 year
	<b>Subtotal</b>	<b>\$5,011,815</b>	<b>\$2,375,000</b>	
<b>Public Safety</b>				
17.	Public Safety staffing (funding for 2 Police and 4 Fire positions for one year)	\$1,200,000	\$800,000	2 years
18.	Fire Vehicles (fire pumper)	\$920,000	\$920,000	1 year
19.	Implementation of High Priority Emergency Management Program Assessment Study	\$200,000	\$100,000	2 years
20.	Virtual Reality Simulator Training Equipment	\$50,000	\$50,000	1 year
	<b>Subtotal</b>	<b>\$2,370,000</b>	<b>\$1,870,000</b>	
<b>Technology</b>				
21.	Human Resources Information System	\$1,100,000	\$100,000	TBD
22.	Financial Management System	\$100,000	\$100,000	1 year
23.	Cybersecurity programs and training	\$300,000	\$100,000	4 years
24.	Technology infrastructure	\$610,000	\$320,000	4 years
	<b>Subtotal</b>	<b>\$2,110,000</b>	<b>\$620,000</b>	
<b>Recommendations for Unassigned Allocation</b>				
25.	ARPA Funds Administration	\$350,000	\$100,000	4 years
	<b>Subtotal</b>	<b>\$350,000</b>	<b>\$100,000</b>	
	<b>Grand Total</b>	<b>\$16,736,815</b>	<b>\$8,955,000</b>	

**Policy Alternative:**

**Alternative 1:** Do not approved the proposed process for future changes to the ARPA Investment Plan.

**Pros:** Provides additional flexibility to change the ARPA Investment Plan.

**Cons:** As ARPA funds are expended for the various programs and projects, it will not be efficient or at times even feasible to continue to re-allocate funding.

**Reason for not Recommending:** Considering any re-allocation of ARPA funding through the budget process will allow Council to consider the funding in the context of all priorities. This process will also allow for more efficient use of staff time.

**Fiscal Impact:**

The ARPA allocation to the City is in the amount of \$16,736,815. Re-allocation of funding does not impact the total ARPA revenue and/or appropriation. Leveraging ARPA funding for priorities that may otherwise have to be funded by the General Fund or other Funds could allow for other additional services and programs to be funded.

**California Environmental Quality Act:**

This item is not a Project under CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption) as it can be seen with certainty that a general discussion of funding priorities by the City Council will not have a significant effect on the environment. Further, the item is also not a Project pursuant to CEQA Guidelines Section 15378(b)(2) as an administrative activity which is defined in the CEQA Guidelines to include the purchase of supplies and personnel related actions. It is further exempt under CEQA Guideline 15378(b)(4) as it is a government fiscal activity that does not involve a commitment to any specific project which may result in a potentially significant physical impact on the environment. Although the use of funding will be discussed for various potential projects, future environmental analysis will be conducted for the various potential projects prior to the City making any commitment or approval of any project, or it is covered by the CEQA Guideline 15061(b)(3) and/or 15378(b)(2).

**Recommendations:**

1. Consider Council priority items for American Rescue Plan Act (ARPA) funding and provide direction to staff on any required modifications to the ARPA Investment Plan to allow for the additional allocation
2. Review and provide input to staff on proposed process for future changes to the ARPA Investment Plan

**Attachments**

1. Storefront Grant Program