



December 17, 2020

MEMO TO: Stanislaus Community System of Care (CSOC)

FROM: Department of Planning and Community Development

**SUBJECT: CALIFORNIA EMERGENCY SOLUTIONS GRANTS (ESG) ROUND 2
CORONAVIRUS AID, RELIEF, AND ECONOMIC STIMULUS (CARES) ACT
FUNDING (CA ESG-CV2)**

On October 2, 2020 the California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for the CA ESG-CV2. The NOFA allocated \$22,767,898 in funding to the Turlock/Modesto/Stanslaus Continuum of Care (CoC). The CoC is locally recognized as the Stanislaus Community System of Care (the CSOC). On June 1, 2020, the CSOC was allocated \$857,100 in California Emergency Solutions Grants Round 1 CARES Act funding (CA ESG-CV1).

The HCD ESG funding is provided by the United States Department of Housing and Urban Development (HUD). ESG program funding may be used to assist with:

- 1) Engaging homeless individuals and families living on the street;
- 2) Improving the number and quality of emergency shelters for homeless individuals and families;
- 3) Helping operate these shelters;
- 4) Providing essential services to shelter residents;
- 5) Rapidly Re-housing homeless individuals and families; and
- 6) Preventing families/individuals from becoming homeless.

HCD has established the following funding prioritization for the CA ESG-CV2 funding:

- To serve those most in need through Rapid Re-housing and Emergency Shelter; and
- To ensure all eligible persons receive equitable services with dignity, respect and compassion regardless of circumstance, ability, or identity.

Eligible activity categories for CA ESG-CV2 are the following:

- 1) Emergency Shelter;
- 2) Homeless Prevention;
- 3) Rapid Re-housing;
- 4) Street Outreach; and
- 5) Homeless Management Information System (HMIS).

While homeless prevention is an eligible activity, it is only an eligible activity if all Rapid Re-housing and emergency shelter needs within the community have already been met by current ESG and other funding sources. These needs have not already been met within the CSOC.

At the October 21, 2020 special meeting of the CSOC, the following funding strategy was approved for the CA ESG-CV2 application to HCD:

- Emergency Shelter: 60% (\$13.6M)
- Rapid Re-housing: 16.8% (\$3.8M)
- Street Outreach: 10% (\$2.2M)
- HMIS: 10% (\$2.2M)
- Administration: 3.2% (\$734,400)

The funding strategy was approved with the hope funds allocated to specific activities could be shifted, if needed, with HCD approval as local planning for use of the funding developed. The deadline for submittal of the application to HCD for acceptance of the funding was October 28, 2020 and, as such, there was very limited opportunity to engage a comprehensive planning effort for use of the funding.

The approved funding strategy took into consideration funding prioritizations which were endorsed by the Stanislaus Homeless Alliance (SHA) and approved by the CSOC in May of 2020 in response to the programming of CARES Act funding received by the local HUD entitlement jurisdictions (City of Modesto and Stanislaus County as the lead agency for the Stanislaus Urban County). The following was the May funding prioritization:

- Support the needs of existing shelter operations;
- Unexpected operations and supply costs not covered by other available funding sources;
- Support the development of new housing units aimed at transitional and permanent supportive housing;
- Rapid Re-Housing; and
- Homeless Prevention.

On December 3, 2020 a special meeting of the CSOC was conducted to provide the Administrative Entity (AE), the Stanislaus County Planning and Community Development Department, with guidance on the development of a NOFA, application, scoring criteria and process for awarding CA ESG-CV2 funding. The AE's presentation covered program requirements, scoring criteria used for awarding of past ESG funding, including CA ESG-CV1, an overview of community input received in October of 2020 regarding the programming of CA ESG-CV2, the selection process outlined in the AE 's application to HCD, deadlines for the expenditure of funding, and examples of prioritization and selection factors which could be used in awarding the funding.

Prior to the December 3, 2020 meeting, the CSOC released the AE's PowerPoint presentation, the same version shared at this meeting, along with the scoring guides for the CA ESG-CV1 and Non-CARES ESG Fiscal Year 2020-2021 funding, and the public comment letters received by the AE in October of 2020 regarding the programming of CA ESG-CV2. The scoring guides were referenced in the AE's presentation and, as such, they were provided as informational support documentation to be viewed by those interested and the public comment letters were all summarized in the presentation. All of the information released prior to the meeting was, and remains, available on the CSOC's website: <https://csocstan.com/2020/12/03/special-csoc-meeting-ae-presentation-12-3-2020/>

Following the AE's presentation, two independent concepts were presented by Brad Hawn, a Modesto resident, and Jody Hayes, Stanislaus County' Chief Executive Officer. The concepts were provided as public comment to the AE's agenda item with the intent of providing options for how the CA ESG-CV2 funding might be programmed. The following is an overview of the two concepts presented:

Brad Hawn Concept:

This concept proposes to fund existing shelter operations, provide satellite shelters (shelter renovation or temporary, and case management/programming) and expanding street outreach efforts in the following manner:

- Emergency Shelter Operations – proposes a non-competitive approach be used to fund a maximum of 50% of the operating budgets of existing shelters. All existing shelters operating would be funded through a non-competitive application process. The application process would need to ensure non-duplication of benefits.
- Satellite Shelters (shelter renovation or temporary) – proposes the development of a “Hub and Satellite” shelter system with the development of 10 satellites located countywide. The Hub of the system would be the existing Access Center located in downtown Modesto. The nine cities and County would individually be responsible for providing a public owned site, or acquiring a site, with the necessary zoning for development of the satellites. The satellite sites would need community support for concept and location.
- Satellite Shelters (case management/programming) – proposes to fund case management and programming while efforts are taken to look for other funding opportunities to self-fund.
- Street Outreach – proposes to expand the CARE Team to provide countywide services. The CARE Team is a County operation lead by County staff who are supported by some Modesto staff. The CARE Team originated in Modesto and has not expanded. The concept calls for 12 plus outreach and engagement personnel to be funded for an 18-month period with outreach efforts distributed to cities based on need. The funding would be made available to a qualified program operator through a non-competitive selection process.

This concept also calls for a reduction in Rapid Re-housing funding from \$3.8 million to \$500,000 with a goal to provide stable housing to 100 households. The funding would be leveraged with other funding opportunities and all agencies would have access to funding through the submittal of an over the counter application. The application would consist of a CSoC approved form and structure for assistance. The remaining Rapid Re-housing funding would be made available for emergency shelter and street outreach activities. Funding for HMIS and administration would remain the same. The following is the draft budget proposed for the concept:

Activity	Breakdown	Funding Allocated
	Emergency Shelter Operations	\$6M
	Emergency Shelter Satellite	\$5.8M
	Emergency Shelter Satellite Programming	\$5.0M
<i>Emergency Shelter Total</i>		<i>\$16.8M</i>
	Street Outreach CARES	\$1.2M
	Street Outreach Outreach and Engagement	\$1.4M
<i>Street Outreach Total</i>		<i>\$2.6M</i>
<i>Rapid Re-Housing Total</i>		<i>\$5.5M</i>
	100 households at \$5,000 per household	
	HMIS System	\$0.7M
	HMIS Agencies	1.5M
<i>HMIS Total</i>		<i>2.2M</i>
<i>Administration Total</i>		<i>\$0.7M</i>
	Administration	
<i>Total</i>		<i>\$22.8M</i>

Stanislaus County Chief Executive Office Concept:

This concept proposes the use of emergency shelter funding for a non-competitive allocation to existing shelters. The funding limits would be set according to past service levels and performance. under the following four-tiered system that provides funding based on service levels:

		Daily Bed Reimbursement Rate			
Service Level	Criteria	Tier 1 \$15.00	Tier 2 \$25.00	Tier 3 \$35.00	Tier 4 \$45.00
Overnight Shelter		X	X	X	X
Day Program Included	24 hour access to facility		X	X	X
Program Services	Case mgmt, employment, life skills, behavioral health, etc			X	X
Partners	Couples allowed to shelter together				X
Pets	Capacity for at least 25% of guests to have qualifying pet				X
Possessions	To be determined				X

The concept considers the options of funding emergency shelters for the first six-month period on a daily bed reimbursement rate paid based on 100% of available beds and then providing reimbursement based on the following shelter occupancy levels:

Shelter occupied 75% or more - Daily Bed Reimbursement paid at 100% of available beds
Shelter occupied 50-74% - Daily Bed Reimbursement paid at 75% of available beds
Shelter occupied 25-49% - Daily Bed Reimbursement paid at 50% of available beds
Shelter occupied less than 25% - Daily Bed Reimbursement paid for each occupied bed

The concept would also provide for a meal reimbursement to be paid on occupied beds based on the following reimbursement rates:

Meal Reimbursement
\$2.00 - Breakfast
\$3.00 - Lunch
\$5.00 - Dinner

Any shelter receiving funding under this concept would be required to report daily census and participate in community-wide access reporting. In presenting this concept to the CSOC, Mr. Hayes, the County's Chief Executive Officer, recommended a sub-committee be established to develop procedures, definitions, and a claiming process for final approval by the CSOC.

In addition to the two concepts and general comments made regarding the operations of the CSOC with respect to observing conflict of interest requirements, concerns with accuracy of CSOC meeting minutes, and the inequity in comment time and priority given to the two proposals presented, the feedback and questions provided during the December 3rd meeting included:

- Need to address racial equity.
- Need for shelter renovation/property improvement funding.
- Need to incentivize collaboration to avoid redundancy – meal services specifically.
- Need for Coordinated Entry and case files for every homeless person.
- How will the SHA be integrated into the discussion?
- How will the CA ESG-CV2 funding process impact the traditional annual funding processes for ESG funding?
- Need for a simple, fair, and equitable process; opportunity for everyone to present proposals
- Need to protect Latino and Black populations.
- Need for shelters to meet the cultural needs of Latinos.
- Concern with lack of reasonable time to review and meeting materials and proposals.
- Need to postpone vote on proposals.
- Need for a clear understanding on the actions needed, and being requested, from the CSOC.

Jessica Narayan, with the City of Modesto, also proposed an over the counter allocation of Rapid Re-housing funding to qualified agencies and/non-profits. The CSOC meeting was scheduled for two hours and, shortly after the two hours, the CSOC voted to conclude the meeting and reschedule without providing any specific guidance.

On December 9, 2020 the AE provided the SHA with a funding update for both CA ESG-CV1 and CA ESG-CV2. The update included a summary of the December 3rd CSOC meeting, including the two concepts that were proposed. During public comment, both Mr. Hayes and Mr. Hawn spoke regarding their respective concepts shared with the CSOC. Both acknowledged that their concepts are not in conflict and that there is enough funding to implement both concepts. Mr. Hayes also acknowledged that his concept may need adjustments in order to meet ESG regulations and that emergency shelter providers and local agency ESG program staff should work together to further develop the concept. Mr. Hawn acknowledged that the presentation of the concepts at the CSOC may have caught the CSOC off guard and that others might also have proposals to share.

The following is a summary of input provided by members of the SHA and the public with regards to the programming of CA ESG-CV2 and the two proposals:

- SHA Representative Luis Uribe asked for clarification regarding the ability for cities to use the funding for rehabilitation of facilities. CA ESG-CV2 funding allocated to emergency shelter activities may be used for rehabilitation and could be considered under Mr. Hawn's concept. Mr. Uribe indicated agreement with Mr. Hawn's concept.
- SHA Representative Jason Conway asked if the County has identified which shelters have the capacity to use federal funding. Mr. Hayes responded that the County's concept had only looked at those shelters on the daily reporting list for available beds. Eligible shelters

would still need to be determined. Mr. Conway also asked Mr. Hawn how long his satellite concept would take to develop. Mr. Hawn stated that he expects it to take six months from ground breaking to occupancy. Mr. Conway also shared that the meal reimbursement rate in Mr. Haye's concept is consistent with what he has experienced in his fourteen years of running a shelter.

- Fred Berry, a CSOC member, indicated support for Mr. Hayes concept and spoke to the need for a subcommittee to identify where shelters can be placed countywide.
- SHA Representative Andrew Nosrati asked Mr. Hayes how the reimbursement rates had been identified. Mr. Hayes explained that very general modeling was conducted to try to get 18 months of funding out to all shelters and that shelter operators will need to work together to decide the numbers. Mr. Nosrati also asked if the reimbursement rate was intended to cover 100% of operational costs. Mr. Hayes responded that 100% coverage was not the intent and Mr. Nosrati indicated that he would like for the tier with the most services provided to receive 100% reimbursement in order to provide for full service comprehensive care.
- Miguel Donoso, a member of the public, expressed support for Mr. Hayes concept, but expressed the need for both concepts to have been placed on the CSOC agenda and that information regarding the concepts should have been provided prior to the CSOC meeting.

The SHA made no formal action in providing guidance on the programing of CA ESG-CV2 funding or to endorse either of the concepts.

Upon reviewing both concepts and considering the input provided at the SHA meeting, the AE believes there is an opportunity to combine elements of both concepts into a two-phased approach that would allow the CSOC to quickly move forward with much needed support for existing emergency shelters while allowing time to work through the process for developing new satellite facilities and/or renovating/expanding existing shelters. Some technical factors which must be considered include:

- The main ESG CARES Act Funding Objective is to: Prevent, prepare for, and respond to Coronavirus among individuals and families who are experiencing homelessness or receiving homeless assistance in a coordinated response.
- Funding may be awarded through a non-competitive process, but there must be a selection process based on clearly defined criteria.
- Funding may not be used to supplant existing appropriated or allocated funding (i.e. a public agency or non-profit may not reduce its allocated funding for a project because CA ESG-CV2 funds are available (or expected to be available) to fund the same activity). The CA ESG-CV2 funding may be used to supplement existing program funding and to cover unpaid debts/lines of credit associated with unexpected Coronavirus related costs.
- Rehabilitation, alteration, demolition, installation or repairs done under contract and paid for, in whole or in part, with CA ESG-CV2 may be subject to prevailing wage and may require more extensive environmental assessment under the National Environmental Policy Act (NEPA). No funding is allowed to be expended until all environmental clearances are done and approved HCD.
- Funding cannot be used for the purpose of purchasing or acquiring permanent housing. Any acquisition for the purpose of providing temporary emergency shelter will be subject to HUD's disposition rules including payback after January 31, 2022. In order to avoid payback, a partnership with an existing emergency shelter provider and a lease, not acquisition, may be required.

- Funding is subject to monthly and quarterly HMIS reporting requirements. All awarded agencies, regardless of the scope of the proposed project, must report on clients served or funding may be placed at risk.
- CARES Act regulations have further complicated the use of ESG Rapid Re-housing funding. Allocation of Rapid Re-housing funds should be limited to agencies with direct experience in administering these types of funds and funding could be expedited through contract amendments where there are existing contracts with the County.

Furthermore, ESG funding must be used as part of an established Coordinated Entry System with all assisted individuals being entered into the HMIS system and verification that a duplication of benefits is not being provided.

The AE appreciates the efforts outlined in both concepts to allow for a non-competitive process to streamline the approval and expenditure of CA ESG-CV2 funding. HCD has set some very aggressive expenditure deadlines for CA ESG-CV2 funding as reflected below.

July 31, 2021	20% of funding expended (Round 1 and 2)	\$4,553,580
September 30, 2021	40% of funding expended	\$9,107,159
November 30, 2021	60% of funding expended	\$13,660,739
January 21, 2022	80% of funding expended	\$18,214,318
July 30, 2022	100% of funding expended	\$22,767,898

While the ESG-CV1 funding may be used to meet the July 31st expenditure deadline, final execution of the standards agreement with HCD is still in the process and not all funding, especially the funding allocated to homeless prevention, Rapid Re-housing and HMIS, can be expended by July 31st. There is hope that HCD may relax its deadlines, however, these deadlines have been set to allow them to meet HUD's funding deadlines.

OPTIONS

Based on the discussion above, and all the CSOC and community input received to date, below are some options the CSOC may wish to consider in its efforts to provide the AE with guidance on how to proceed with development of a NOFA for CA ESG-CV2 funding. The options provided are not intended to be the only options available for CSOC consideration.

Option One- A Two Phased Approach:

Direct the AE to proceed with development of two separate NOFAs: a phase one NOFA and phase two NOFA. The two phases would encompass the following:

- Phase One – To be immediately developed and released by mid-January, a NOFA allowing for funding to be allocated to existing eligible emergency shelters that are actively participating in the coordinated entry system and documenting clients into the HMIS system. The maximum amount of funding each shelter would be eligible to receive would be based on a tiered system providing a greater funding opportunity to shelters providing a greater level of service. The tiered system would be modeled after the Stanislaus County Chief Executive Office concept, but only to determine the initial maximum funding

opportunity since ESG funding may only be used to cover documented actual costs. The exact funding level amounts per tier and funding level criteria would be developed by the AE in partnership with staff from the cities of Modesto and Turlock experienced with administering HUD funding and in consultation with a stakeholders group comprised of eligible emergency shelter operators. The allocated funding amounts would be restricted to covering eligible shelter operations costs. Eligible emergency shelter operators would apply, with a budget, to document their funding needs/request for an 18-month period. The Grant Review Panel would make a final funding recommendation to the CSOC based on the applications received.

Eligible emergency shelter operators may include:

- Center for Human Services
- Children's Crisis Center
- County Access Center-Shelter
- Family Promise
- Haven Woman's Center
- HOST House
- Naomi's House
- The Salvation Army
- We Care Program
- Others, as determined by the AE to meet eligibility requirements

Phase One would also include awarding the \$2.2 million allocated for street outreach. The criteria for allocation of the funding would be developed by the AE in partnership with staff from the cities of Modesto and Turlock experienced with administering HUD funding and in consultation with a stakeholders group comprised of agency and non-profit representatives with an interest in applying for funding.

A draft Phase One NOFA would be presented to the CSOC at a special meeting in early January 2021 (first or second week) and a representative of the CSOC would be selected to serve on the Grant Review Panel that will review applications for awards based on the NOFA identified selection criteria. The recommendations of the Grant Review Panel will be presented to the SHA for endorsement and, if endorsed, would then be submitted to the Stanislaus County Board of Supervisors, as the AE's governing body, for authorization to award. It is anticipated that final Stanislaus County Board of Supervisors authorization to award could occur by early/mid-February 2021.

- Phase Two – To be developed with the goal of being released in the late Winter/early Spring of 2021, this NOFA would provide for the awarding of the remaining emergency shelter funding for development and operations of satellite shelters and \$3.8 million in Rapid Re-housing funds. Consideration could be given to reducing the amount of Rapid Re-housing funding to increase funding available for satellite shelters. The AE will work with representatives of all nine cities, interested satellite shelter providers and non-profits currently administering Rapid Re-housing funding, to determine interest and funding needs. A draft Phase Two NOFA would be presented to the CSOC. The NOFA would also include a final plan for the distribution of the three percent of HMIS funding allocated for data support for funded service providers and how any unspent HMIS funding allocated for support for the collaborative applicant, administration, or any of the other activities will be reallocated and the timing for reallocation based on usage and expenditure deadlines.

This two-phased approach allows for funding expenditures necessary to meet deadlines to begin while still allow time to develop a plan providing for additional shelter bed development. The two-phased approach also allows the AE to work on development of the NOFAs outside of the CSOC meetings with stakeholders comprised of those with the experience in providing services and expertise for the use and administration of ESG/HUD funding.

Option Two – The Traditional Scoring Criteria and Application Process:

Direct the AE to update the scoring criteria and application used for CA ESG-CV1 to allow for a competitive application process for all emergency shelter, Rapid Re-housing, and street outreach funding. A draft NOFA would be presented to the CSOC at a special meeting in early January (first or second week) and a representative of the CSOC would be selected to serve on the Grant Review Panel that will review applications for awards based on the NOFA identified selection criteria. The recommendations of the Grant Review Panel will be presented to the SHA for endorsement and, if endorsed, would then be submitted to the Stanislaus County Board of Supervisors, as the AE's governing body, for authorization to award.

If necessary, a second NOFA would be developed in consultation with the CSOC for any funding not awarded in full under the original NOFA.

Using the traditional competitive process, it is anticipated that final Stanislaus County Board of Supervisors authorization to award would not occur until late February/early March. As the CSOC's appointed AE with the responsibility for administering CA ESG-CV funding, the Board of Supervisors is the final authority in the allocation of the CA ESG-CV funding. As reflected in the two concepts presented to the CSOC on December 3rd, there are opportunities to go beyond the traditional approach in order to make a greater impact with the CA ESG-CV2 funding. It is unclear if County staff would recommend approval of this option if it was brought to the Board of Supervisors.

Option Three – A Two Phased Traditional Approach:

- Phase One - Direct the AE to proceed with the traditional scoring criteria and application process for a funding amount and activity decided on by the CSOC.
- Phase Two - To develop a NOFA for the remaining funding in a manner consistent with phase two of Option One above.

As with Option Two, it is unclear if County staff would recommend approval of this option if it was brought to the Board of Supervisors.

As state earlier, the options provided above are not intended to be the only options available for CSOC consideration. Other options may be presented and considered by the CSOC, however, the CSOC must consider the timing needed to undertake another option and how that timing aligns with the CA ESG-CV2 expenditure deadlines.

If there are members of the CSOC or the public with a concept they wish to share at the December 17th CSOC meeting for CSOC consideration, the AE requests that the concept be shared with the AE in advance of the meeting. Concepts may be emailed to the CSOC at planning@stancounty.com.

RECOMMENDATION

Given the significance of the CA ESG-CV2 funding amount and the long-term impact it could have on the homeless services system within Stanislaus County and the need to move rapidly to begin expending funding to meet the July 31, 2021 expenditure deadline, the AE is recommending that the CSOC direct the AE to proceed with Option One as outlined above. The AE further recommends that the CSOC direct up to \$10 million in Emergency Shelter be made available to the phase one NOFA and that the amount of funding allocated to Rapid Re-housing be reduced to \$500,000 with the remaining funding available to Emergency Shelter activities.

The AE further recommends that the CSOC schedule special meetings, as necessary, to keep the process for allocating the CA ESG-CV2 funding moving forward and that the special meetings not be restricted in duration by a specified end time.