



## Legislation Text

---

**File #:** 21-0515R, **Version:** 1

---

RESOLUTION ACCEPTING \$58,117,859 FROM THE AMERICAN RESCUE PLAN CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS AND IDENTIFYING ELIGIBLE PRIORITIES FOR THE CITY OF DULUTH IN RESPONSE TO THE COVID-19 PUBLIC HEALTH EMERGENCY.

### CITY PROPOSAL:

Whereas the City of Duluth was allocated \$58,117,859 by the United States Treasury under the American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds.

Whereas the City of Duluth received the first half of the funds, \$29,058,929.50, in May 2021 and the balance will be delivered approximately 12 months later.

Whereas the Coronavirus State and Local Fiscal Recovery Funds provide a substantial infusion of resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery.

Resolved that the City Council accepts the \$58,117,859 to be deposited into Fund 226-125-4902-02 (Local Fiscal Recovery Funds, Finance, Direct Federal Grants, Operating).

Further Resolved that the City Council identifies the following investment goals as eligible uses under the rules and regulations of the Coronavirus State and Local Fiscal Recovery Fund and recommends the following expenditures with estimated target amounts:

(a) Affordable housing and pandemic driven services - \$19,200,130;

(b) Adult workforce services - \$550,000 include the following:

- (1) Computer skills training - \$150,000; and
- (2) Job training with wraparound case management - \$400,000;

(c) Investments in Public Works and Utilities - \$12,850,000 including the following:

- (1) Replacement of all city water meters - \$6,500,000;
- (2) Lead remediation- \$3,600,000;
- (3) Water line replacement - \$1,400,000; and
- (4) Street Sweepers - \$1,350,000;

(d) Broadband - \$1,000,000;

(e) City hall ventilation/COVID mitigation and prevention - \$12,000,000;

(f) Administration costs associated with ARP - \$800,000;

(e) Public safety social worker pilot program - \$2,100,000 including \$300,000 for capital expenditures;

(f) Crisis/violence intervention training for public safety - \$678,000 including \$78,000 for capital expenditures;

- (g) Investments improving outdoor spaces in QCTs and park maintenance (parks, basketball courts, playgrounds, etc. - \$2,000,000;
- (h) Revenue loss pro-rated back to all eligible city funds - \$4,239,729;
- (i) Aid to component units - \$500,000;
- (j) Recapitalizing Duluth Economic and Development Authority to support businesses - \$500,000;
- (k) Recapitalizing 1200 Fund to support businesses - \$1,500,000; and
- (l) Aid to previous tourism tax recipients - \$200,000.

STATEMENT OF PURPOSE: This resolution is to provide the Council a high-level overview of the purpose of the American Rescue Plan Act (ARPA) funding and City's process and goals for prioritizing and using the ARPA funds. The ARPA funds are intended to provide support to recipients in responding to the impact of COVID-19 and in their efforts to contain COVID-19 within their communities, residents, and businesses. Specifically, there are four categories of eligible uses:

- a) To respond 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;
- b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- c) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

Our City was greatly impacted in 2020, the unemployment rate in Duluth was 6.4, compared to 3.1 in 2019, and 33% of households earned less than \$35,000. The number of people experiencing homelessness increased by 8% and Duluth saw the highest number of opioid-related overdoses since tracking began in 2013 with 213 total overdoses, or a 22% increase.

When assessing the impacts to the community and the purpose of the funding, City departments remitted requests, the Administration conducted a study session to understand Councilor priorities, and City staff looked to the community-led plan of ImagineDuluth2035 as a guiding document to build a more resilient City. This process garnered over 135 submissions for a total of over \$280 million.

Attached in Exhibit A are the funding goals for the City's ARPA eligible priorities, based on analysis by City Finance Department and City Attorney's Office staff, in consultation with the State Auditor.

These goals focus largely on affordable housing, economic development, and providing more community services in qualified census tract (QCT) neighborhoods (neighborhoods with a large proportion of low-income residents). These neighborhoods experienced economic disparities that existed prior to the COVID-19 pandemic, that were further amplified as a result of the pandemic.

#### Affordable Housing

The economic impacts of COVID-19 have been most acute in lower-income neighborhoods, including concentrated areas of high unemployment, limited economic opportunity, and housing insecurity. Affordable housing is a demonstrated community need and investing in affordable housing enhances

the quality of life of the City's residents. Housing is a catalyst for economic development, brings employers to the city, and it brings jobs to the city. An investment in affordable housing now expands the City's tax base and realizes a reasonable rate of return on the public investment, thereby reducing the impact of property taxes on taxpayers. Affordable Housing units would be developed in Core Investment Areas in alignment with Imagine Duluth2035.

#### Job Training and Workforce Services

The pandemic left many community members without work. One of the eligible uses of ARPA is to address an economic harm resulting from or exacerbated by the public health emergency. Funding job training and workforce services would help both our residents and our business community. More employed people in the city means residents are able to provide for themselves and their families, businesses are staffed adequately, increasing Sales and Tourism taxes paid to the city. Individuals also have more capacity to pay their property taxes and utility bills.

#### Investments in Utility Infrastructure and Broadband

To assist in meeting the critical need for investments and improvements to existing infrastructure in water, sewer, and broadband, ARPA funds allow governments to make necessary investments in these sectors. City staff looked at critical infrastructure needs from the City's Capital Plans that would begin to address lead pipe remediation for residents, reduce water pollution and eliminate the need to raise utility rates for all residents in order to fund these capital projects in future years. Additionally, the City is looking to incentivize broadband providers to the City which will reduce the cost of internet for households city-wide while providing more equitable access.

#### Ventilation and COVID-19 mitigation improvements in City Hall

A broad range of services are needed to contain COVID-19 and are eligible uses. Of the eligible services, the City may have the need for continued purchases of personal protective equipment, ventilation improvements, capital investments in public facilities to meet pandemic operational, and adaptations to public buildings to implement COVID-19 mitigation tactics. The current antiquated ventilation system does not meet OSHA and Minnesota Department of Health guidelines around air quality. This includes carbon dioxide levels, temperature, and relative humidity. As a result, City Hall does not circulate clean airflow, nor does it provide protection from COVID-19 and other airborne illnesses both for staff and the public. In the absence of this funding, these improvements would be a significant future capital expense.

#### Public safety crisis intervention and community violence programs

The guidance allows for new or enhanced government services that may be needed to meet behavioral health needs exacerbated by the pandemic and respond to other public health impacts. This funding will allow the City to invest in public safety and social workers, specifically around community violence and crisis intervention programs and training, to both proactively deescalate situations and provide services to those experiencing mental health crises.

#### Investments in Improving Outdoor Spaces

In recognition of the disproportionate negative economic impacts on certain communities and

populations, ARPA identifies certain types of services that are eligible uses when provided in a QCT, to families and individuals living in QCTs, or when these services are provided by Tribal governments. Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic.

These programs and services include services designed to build stronger neighborhoods and communities and to address health disparities and the social determinants of health. Included in the latest update are: investments in parks, public plazas, and other public outdoor recreation spaces. They are included because they may be responsive to the needs of disproportionately impacted communities by promoting healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19.

Additionally, because many governments saw significantly increased use of parks during the pandemic that resulted in damage or increased maintenance needs, the guidance allows City's to use funds for Park Maintenance. The City will look specifically at QCTs and other geographic areas disproportionately impacted by the pandemic when assessing which outdoor spaces to in which to fund.

#### Assistance to small businesses, tourism, component units and impacted industries

Tourism, travel and hospitality were disproportionately and negatively impacted by COVID-19. Aid provided to tourism, travel, hospitality, and impacted industries should respond to the negative economic impacts of the pandemic on those industries. Similarly, businesses and especially small businesses were hit hard. Small businesses play a key role in supporting the overall economic recovery as they are responsible for two-thirds of net new jobs.