



City Council Report

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File ID: 2022-00021

March 1, 2022

Consent Item 06

Title: City Council COVID-19 Response: ARPA Framework and Funding Priorities: Arts and Creative Economy Funding Allocation and Framework

Location: Citywide

Recommendation: Adopt a Resolution: 1) establishing the Arts and Creative Economy Program (I17609000) as a new Multi-Year Operating Project; 2) authorizing the City Manager or the City Manager's designee to transfer \$10,000,000 from the available fund balance of the American Rescue Plan Act (ARPA) Reinvestment Fund (Fund 1003) to the expenditure budget of the Arts and Creative Economy Program (I17609000); and 3) approving the amended Arts and Creative Economy Framework.

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Presenter: None

Attachments:

1-Description/Analysis

2-ARPA Reinvestment Fund Programs

3-Resolution

Description/Analysis

Issue Detail: On March 13, 2020, the City declared a local emergency in response to the spread of the COVID-19 pandemic. On April 21, 2020, the City received \$89.6 million in Coronavirus Relief Funds (CRF) from passage of the federal government's Coronavirus Aid, Relief and Economic Security (CARES) Act to assist with the City's response to the pandemic.

The City expended the funds in the following areas:

- Small Business Recovery and Assistance
- Youth and Workforce Training Programs
- Arts, the Creative Economy, and Tourism
- Homelessness and Rapid Re-Housing
- Social Services
- Citywide Operation Response

To further assist government entities with the pandemic response and recovery, on March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law making \$350 billion available through the State and Local Fiscal Recovery Funds (SLFRF) to assist states, tribal governments, and local governments. The City of Sacramento became eligible for \$112.2 million to be paid in two installments. On May 19, 2021, the City received the first installment in the amount of \$56.1 million. The second installment is expected to be received approximately 12 months after the first installment (May 2022).

On August 24, 2021, the City Council held a workshop to discuss the mayor's proposed ARPA Framework and Funding Priorities. During the workshop City Council and stakeholders expressed overall interest in funding programs and projects in the following areas:

- Small Business and Commercial Corridor Revitalization
- Homeless and Housing
- Youth, Workforce Training and Gang Prevention
- Arts and the Creative Economy
- Valuing City Employees and Addressing Organizational Needs

On September 14, 2021, City Council adopted the Mayor's proposed ARPA Framework and Funding Priorities and directed the City Manager, City Attorney, City Auditor, City Treasurer, and City Clerk to implement City Council direction consistent with the adopted ARPA Framework.

The recommendations contained in this report allocate \$10 million of those funds to critical projects and programs needed to address the impact of the pandemic on the creative economy. Additionally, the recommendations include approving an amended ARPA Framework for the Arts and Creative Economy Program compared to the Framework adopted by City Council on September 14, 2021. Specific contracts that fall within the categories outlined below that exceed the City Manager's signature authority will return to City Council for approval after staff receives all required City and federal contracting documentation and completes scope development. Below is a description of the recommended ARPA reinvestment allocations for the creative economy:

Arts and Cultural Nonprofits - \$2.25 Million

Nonprofit arts and cultural organizations are a key element of the creative economy in the City of Sacramento and key drivers of educational, economic and community benefit. The County of Sacramento has set aside \$2 million in ARPA funds to support a joint recovery grant program for arts and cultural nonprofits in Sacramento County administered by the Office of Arts & Culture, provided that the City of Sacramento match the County's contribution of \$2 million. Funds would be targeted at 501(c)3 nonprofit establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing and establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest.

The objectives of the arts & cultural nonprofit recovery program are to:

- Retain nonprofits that are core to the creative economy in the region.
- Retain and expand employment at these nonprofits.
- Ensure ongoing access to arts and cultural programming throughout Sacramento County.

Grants would be provided over a two-year period and could be used for operating expenses such as salaries and benefits for employees, fees for artists and contractors, mortgage/rent, utilities, and marketing. Fees and expenses associated with executing required COVID-protocols would also be eligible.

Individual Artists and Creatives - \$2.75 Million

The Office of Arts and Culture would establish a Guaranteed Basic Income for Artists (GBI) to be administered by a third party identified through an Request for Proposals (RFP) process. GBI is an unconditional cash payment made on a regular basis to individuals or households. OAC recognizes that artists and creative workers have experienced significant economic instability, particularly during the COVID-19 pandemic, and OAC is interested in exploring different solidarity economy concepts that address that instability, along with systemic racial bias and inequity, to support Sacramento's creative workers.

The objectives of the GBI program are to:

- Recognize the value and contributions of Sacramento's artists and creatives.
- Provide a stable source of income that allows artists and creatives to devote more time to their practice.
- Provide financial assistance in recognition that many roles in the creative sector remain unpaid or underpaid, and the economic precarity that is prevalent in a gig economy.
- Reduce barriers to entering and staying in the arts and culture field.

Creative Businesses – \$1.75 Million

Partner with a Community Development Finance Institution to establish a package of financial supports and business coaching for a group of creative businesses in industries impacted by the pandemic. The program would target for-profit 1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing, 2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest, and 3) establishments that are involved in the production of motion pictures and sound recordings.

The objectives of the creative businesses program are to:

- Establish a relationship with, and broaden the capacity of, a financial partner in a position to assist with creative sector business development beyond the initial infusion of support.
- Provide access to recovery support for creative sector small businesses, while introducing them to partners in a position to assist with ongoing financial support.
- Build the business capacity of creative businesses by providing access to business coaching with a specialized partner experienced with creative startups.

Helping these businesses to safely re-open, expand, and increase productivity creates downstream employment opportunities for creative workers who have been similarly affected by closures. Financial supports would likely include some combination of grants, loans, rental subsidy, and business training/coaching.

Creative Economy Focused Youth Workforce Development - \$1.5 Million

Provide grants for programs that provide youth workforce readiness training, apprenticeship or pre-apprenticeship opportunities, skills development, placement services and or coaching/mentoring in the creative economy. Such grants would be dedicated toward creative economy subsectors that represent high growth potential and or reflect Sacramento's unique strengths and industry opportunities. The funds will provide assistance to groups that sustained negative impacts due to COVID-19. Programs would serve youth in United States Department of Housing and Urban Development (HUD) qualified census tracts.

The objectives of the youth workforce development program are to:

- Invest in the development and expansion of high-quality programs offered by organizations that can demonstrate significant experience, industry connections and student placement rates in high potential areas of the creative economy.
- Invest in the broader ecosystem of service providers who offer exposure to creative industries employment opportunities.
- Provide productive opportunities for youth engagement and create pathways to future employment opportunities in growing industries.

Tourism Recovery through Iconic Event Production - \$1.5 Million

Provide a grant to Visit Sacramento to support tourism recovery through the production of iconic events that attract visitors (and their associated spending) to Sacramento. Consistent with the Creative Edge plan's iconic event production strategy, this effort will build upon and reinforce existing events and programs in the city. Moreover, it will carefully consider ways to incorporate and reflect Sacramento's unique culture.

The objectives of this tourism recovery investment are to:

- Increase hotel room nights (and the associated transient occupancy tax)
- Increase local spend through parking, restaurants, and local vendors
- Integrate the local creative community into broader tourism recovery efforts

Arts Journalism Grant Program - \$250,000

Provide grants for journalism projects such as event and programming previews, reviews, listings and features through an array of formats such as online publications, special print publications, podcasts, and other media outlet vehicles.

The objectives of this journalism grant program are to:

- Increase awareness of, and engagement with, arts and cultural activities in Sacramento.
- Support new journalism models and media collaborations that would yield ongoing coverage of this nature in the future.

Policy Considerations: The City continues to be impacted by the global pandemic.

Establishing programs and budgets for this funding are consistent with Council direction relative to state and federal grant awards and consistent with City Council's adopted ARPA Framework and Funding Priorities.

Economic Impacts: Like the CARES funds, the City will primarily use the ARPA reinvestment funds to aid residents and business impacted by COVID-19. These funds will support people, places, and actions that promote overall economic recovery and result in impacts immediately and well beyond the pandemic.

Environmental Considerations: The recommendation in this report is not a project under the California Environmental Quality Act (CEQA) because it involves government fiscal activities that do not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Section 15378(b)(4) of the CEQA Guidelines (Cal. Code Regs., tit. 14, §15000 et seq.), and is, therefore, not subject to CEQA pursuant to Section 15060(c)(3) of the CEQA Guidelines.

Sustainability: Not applicable.

Commission/Committee Action: The Arts, Culture and Creative Economy Commission reviewed and discussed an overall framing that is largely consistent with this recommendation at their November 2021 meeting. While they were supportive, no action was taken because the programs required analysis relative to federal guidelines for use of ARPA dollars. Through subsequent analysis it was determined that the approach to renovate, refurbish, or enhance facilities was too difficult to implement given federal guidelines. Funds have been reallocated to other programs accordingly.

Rationale for Recommendation: According to the Bureau of Labor Statistics, pre-pandemic arts, entertainment, and recreation sector unemployment rates were at 4.7%. In March 2020, unemployment rates rose to 8.6%, and then skyrocketed to 43.8% in April 2020. Unemployment rates have slowly improved since that time, but this sector remains among the hardest hit from an unemployment perspective. The motion picture and sound recording industries show a similar trajectory. Data on organizations in the Sacramento region showed significant revenue losses, with arts non-profits and creative businesses showing a \$40 million net loss as of April 2021 (the last time for which data was available). A McKinsey study from July 2020 predicted a 4-year recovery period for this sector in a COVID-contained scenario, or 5+ years in a muted recovery scenario. The program models directly respond to this scenario, by providing stable support to nonprofit organizations and individual artists in this industry through 2024. Creative businesses will benefit from direct support along with connection to a financial institution in a position to assist with longer term support. Support for increased marketing infrastructure through a journalism grant helps drive attendance and engagement. Youth programming will support those disproportionately impacted by the pandemic in a manner that reflects the city's strengths and opportunities in the creative economy. Iconic events will help fuel tourism growth and hospitality sector recovery.

Financial Considerations: On October 19, 2021, City Council adopted Resolution No. 2021-0313 authorizing the City Manager or City Manager's Designee to accept \$112.2 million of American Rescue Plan Act of 2021 (ARPA) funding from the United States Treasury and establish the ARPA Reinvestment Fund (Fund 1003) in order to assist with the recovery and reopening of the local economy resulting from the impacts of COVID-19.

Staff recommends transferring \$10 million from the available fund balance of the ARPA Reinvestment Fund (Fund 1003) to the Arts and Creative Economy Program (I17609000). Sufficient funding is available in the available fund balance of the ARPA Reinvestment Fund (Fund 1003) to support the recommended transfer.

Local Business Enterprise (LBE): Not applicable.

American Rescue Plan Act (ARPA) Reinvestment Fund Programs

(reflects Council actions through 2/15/2022)

ARPA Reinvestment Fund (Fund 1003)		\$112,313,331
Program Description	Approved Expenditure	Category
Aggie Square Job Center	1,000,000	3
Animal Services for the Homeless (ASHR) Response Team	753,230	2
Business Compliance Unit (BCU) Night Team	1,645,637	5
Center for Workers' Rights	550,000	3
Citywide Equity Study	250,000	1
Code Enforcement	205,683	2
Community Response Staffing Expansion	1,025,158	2
Comprehensive Siting Plan - Location Buildout	3,538,400	2
Comprehensive Siting Plan - Property Acquisition	12,783,299	2
Continuation of Existing Homelessness Programming	10,173,567	2
Downtown Core and Old Sacramento Revitalization	5,000,000	1
Forensicclean Extended Services	1,000,000	2
Gang Prevention and Intervention	1,500,000	3
Homeless and Housing Commitment	8,861,663	2
Illegal Dumping Support	787,000	2
Labor Negotiations	9,893,510	5
North Sacramento Code Enforcement and Outreach	450,000	1
Public Records Staffing	4,150,494	5
Public Works Support of Homelessness Programming	572,000	2
Sacramento Inclusive Economic Development Collaborative	3,500,000	1
Sacramento Native American Health Center	100,000	1
Small Business Priorities	8,200,000	1
Substance Use Respite and Engagement Program	1,300,000	2
Towing Administration Fee Reform	200,000	1
Vaccine Outreach and Education	1,000,000	1
Youth Pop-Up Program	1,300,000	3
	\$79,739,641	
ARPA Balance	\$32,573,690	

Allocation of ARPA by Mayor/Council Priorities	Category	Funding
Small Business and Commercial Corridor Revitalization	1	18,700,000
Homeless and Housing Commitment	2	41,000,000
Youth, Workforce Training, and Gang Prevention	3	4,350,000
Arts, Creative Economy, and Tourism	4	-
Citywide Organizational Needs	5	15,689,641
	Total	\$ 79,739,641

RESOLUTION NO. 2022-

Adopted by the Sacramento City Council

March 1, 2022

ARPA Framework and Funding Priorities: Arts and Creative Economy Funding Allocation and Framework

BACKGROUND:

- A. Along with other states and local agencies across the country, the City of Sacramento has, and continues to face extraordinary challenges during the fiscal year because of the COVID-19 pandemic.
- B. The American Rescue Plan Act (ARPA) was established in March 2021 to help in responding to ongoing COVID-19 pandemic and public health emergency.
- C. On September 14, 2021, City Council adopted the Mayor's proposed ARPA Framework and Funding Priorities and directed the City Manager, City Attorney, City Auditor, City Treasurer, and City Clerk to implement City Council direction consistent with the adopted ARPA Framework.
- D. On October 19, 2021, City Council adopted Resolution No. 2021-0313 authorizing the City Manager or designee to accept \$112.2 million of ARPA funding from the United States Treasury and establish the ARPA Reinvestment Fund (Fund 1003) in order to assist with the recovery and reopening of the local economy resulting from the impacts of COVID-19.
- E. The Arts and Creative Economy Program will provide financial and technical assistance directly to support the arts, youth, tourism, and creative economy that has been devastated by the current pandemic.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Arts and Creative Economy Program (I17609000) is established as a new Multi-Year Operating Project.
- Section 2. The City Manager or the City Manager's designee is authorized to transfer \$10,000,000 from the available fund balance of the ARPA Reinvestment Fund (Fund 1003) to the expenditure budget of the Arts and Creative Economy Program (I17609000).

Section 3. The amended Arts and Creative Economy Framework is hereby approved.