TOWN OF CHAPEL HILL

Town Council
Meeting Agenda

Town Hall
405 Martin Luther King Jr. Boulevard
Chapel Hill, NC 27514

Mayor Pam Hemminger
Mayor pro tem Karen Stegman
Council Member Jessica Anderson
Council Member Camille Berry
Council Member Tai Huynh
Council Member Paris Miller-Foushee
Council Member Michael Parker
Council Member Amy Ryan
Council Member Adam Searing

Wednesday, February 2, 2022 6:30 PM **Virtual Meeting**

Virtual Meeting Notification

Town Council members will attend and participate in this meeting remotely, through internet access, and will not physically attend. The Town will not provide a physical location for viewing the meeting.

The public is invited to attend. The Town of Chapel Hill wants to know more about who participates in its programs and processes, including Town Council business meetings and work sessions. Please participate in a voluntary demographic survey https://www.townofchapelhill.org/demosurvey before accessing the Zoom webinar registration. After registering, you will receive a confirmation email containing information about joining the webinar in listen-only mode. Phone: 301-715-8592, Meeting ID: 858 0213 8008

View Council meetings live at https://chapelhill.legistar.com/Calendar.aspx – and on Chapel Hill Gov-TV (townofchapelhill.org/GovTV).

OPENING

ROLL CALL

ANNOUNCEMENTS BY COUNCIL MEMBERS

AGENDA ITEMS

1. Provide Guidance on West Franklin Street Restriping. **[22-0083]**

PRESENTER: Bergen Watterson, Transportation Planning Manager
Sarah Poulton, Downtown Special Projects Manager

The purpose of this item is for the Council to provide guidance on West Franklin Street restriping.

2. American Rescue Plan Update. **[22-0084]**

PRESENTER: Sarah Poulton, Downtown Special Projects Manager
Amy Oland, Business Management Director

The purpose of this item is to provide Council with an update on the American Rescue Plan Act (ARPA), discuss the Town's engagement approach, share what we have heard from the community, provide information from the U.S. Treasury's Final Rule on allowable uses for the funds, and close with next steps in the process.

3. Discuss Redevelopment Options for the Police Station Property at 828 Martin Luther King Jr., Boulevard. **[22-0085]**

PRESENTER: Laura Selmer, Economic Development Specialist

The purpose of this item is to provide Council an opportunity for continued discussion of key issues related to a Memorandum of Understanding (MOU) with the Belmont-Sayre development team (Belmont) for the redevelopment of the police station property.

REQUEST FOR CLOSED SESSION TO DISCUSS ECONOMIC DEVELOPMENT, PROPERTY ACQUISITION, PERSONNEL, AND/OR LITIGATION MATTERS

TOWN OF CHAPEL HILL

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Item Overview

Item #: 1., **File #:** [22-0083], **Version:** 1 **Meeting Date:** 2/2/2022

Provide Guidance on West Franklin Street Restriping.

Staff:	**Department:**
Colleen Willger, Director	Planning
Bergen Watterson, Transportation Planning Manager	Planning
Sarah Poulton, Downtown Special Projects Manager	Managers Office

Overview: Council is being asked to provide guidance on the design for West Franklin Street when the North Carolina Department of Transportation (NCDOT) resurfaces the road in summer 2022. Staff shared options for West Franklin Street with Town Council on January 5, 2022 <https://chapelhill.legistar.com/View.ashx?M=A&ID=907371&GUID=24035C3B-4060-4603-9391-FA82543B1F39> and is now seeking final input on restriping plans only. In order to adhere to NCDOT guidelines, there are two options for restriping the road after resurfacing: traffic-running bike lanes and curb-running bike lanes, both of which are described in more detail below.

Staff will return to Council in the spring to discuss next steps and timeline for transferring maintenance of Franklin Street and future design options, including a public input process on those designs. None of the options presented tonight for NCDOT's restriping would limit the options for future road configuration.

☆ **Recommendation(s):**

That the Council provide input on how NCDOT should restripe West Franklin Street after resurfacing in summer 2022.

Decision Points:

- How West Franklin Street is restriped after NCDOT resurfaces the road in summer 2022 (see decision matrix attached for more detail).

Key Issues:

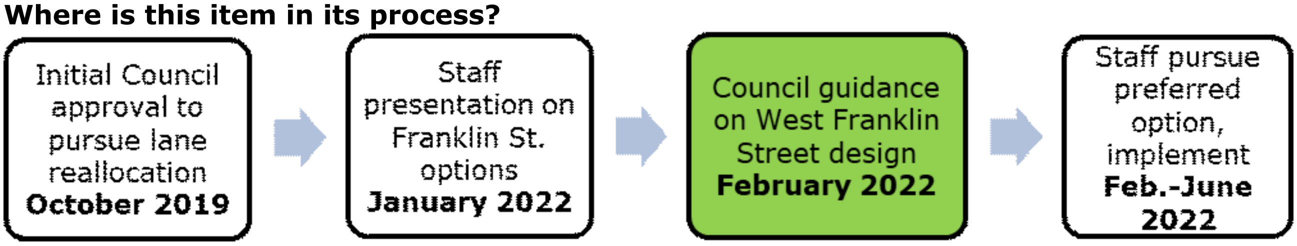
- NCDOT must have an approved pavement marking plan by March 2022 to restripe the road and that plan must meet current federal Manual on Uniform Traffic Control Devices (MUTCD) requirements as long as the road is NCDOT-owned.
- If the Town does not provide NCDOT with an approved pavement marking plan West Franklin Street will revert to its pre-COVID five-lane design. Staff does not recommend returning to that configuration.
- The road resurfacing and restriping does not affect future design of Franklin Street but does allow the Town to take advantage of NCDOT resurfacing.
- The Town will have time for a public input process to determine a future vision.
- Resurfacing and restriping will not change the current sidewalk dining configurations. Businesses are required to leave a five-foot clear zone on the sidewalk to ensure ADA accessibility and all restaurants are currently in compliance.
- NCDOT regulations prohibit businesses from using the asphalt part of the street for commerce.
- Two bike lane options are being considered:
  - Curb-running bike lanes: this design has cyclists in a lane between the curb and parked

Item #: 1., **File #:** [22-0083], **Version:** 1 **Meeting Date:** 2/2/2022

cars; it is a safer design for cyclists but will reduce the number of on-street parking spaces at driveways and intersections. The design is not complete and will require additional funds to complete (see below).
    - Traffic-running bike lanes: this has cyclists in a lane between moving traffic and parked cars; it maintains the pre-COVID number of parking spaces; the design is almost complete, but will also require additional funds to complete (though less than curb-running).
- Bike lanes on West Franklin Street allow the Town to test and evaluate potential future designs.
- The temporary lane reduction on West Franklin Street has improved road safety. Vehicle crashes on West Franklin Street decreased by 48% in 2021 compared to 2019, and bicycle/pedestrian crashes decreased by 33%.
- Curb-running bike lanes will reduce on-street parking spaces which, according to a recent parking data report, are in high demand with Downtown visitors.

Fiscal Impact/Resources: Regardless of what bike lane design chosen, there are costs associated with signal plans and Merritt Mill median redesign, approximately $32,000. Curb-running bike lanes would require an additional $5,000 for design. The signal plan implementation and median construction will require additional funding, but that amount is unknown at this time.

Where is this item in its process?



Attachments:

- West Franklin Street decision matrix
- Draft Staff Presentation

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Bergen Watterson, Transportation Planning Manager
Sarah Poulton, Downtown Special Projects Manager

The purpose of this item is for the Council to provide guidance on West Franklin Street restriping.

Immediate Decision Needed for Resurfacing

NCDOT is resurfacing W. Franklin St. between May and August. How do we want them to repaint after resurfacing?

2 lanes of vehicle traffic, select turn lanes & **curb running** bike lane

+Safer for cyclists because of parking buffer
-Decreased street parking
-Requires additional time and money for design work

2 lanes of vehicle traffic, select turn lanes & **traffic running** bike lane

+Maintain pre-Covid street parking
+Design essentially complete
-Less safe than curb-running for cyclists

4 lanes of vehicle traffic, center turn lane & no bike lanes

+No additional Town funding needed
+Transit stops can maintain current design
-No bike lane
-Design will not match up with Carrboro
-Less safe for pedestrians because of wider crossing distance

Final designs due in March
Contract needed by end of January

Regardless of bike lane option chosen, the Town must:

- Spend additional money for signal and traffic island changes
- Re-engineer Transit stops

No additional Town work required

DRAFT

West Franklin Street Restriping

Council Work Session

February 2, 2022

Agenda

Overview of decision at hand

Effects of resurfacing and restriping

Next steps

Immediate Decision Needed for Resurfacing

NCDOT is resurfacing W. Franklin St. between May and August. How do we want them to repaint after resurfacing?

2 lanes of vehicle traffic, select turn lanes & **curb running** bike lane

2 lanes of vehicle traffic, select turn lanes & **traffic running** bike lane

4 lanes of vehicle traffic, center turn lane & no bike lanes

Curb-running

+Safer for cyclists because of parking buffer
-Decreased street parking
-Requires additional time and money for design work

Traffic-running

+Maintain pre-Covid street parking
+Design essentially complete
-Less safe than curb-running for cyclists

5-lanes

+No additional Town funding needed
+Transit stops can maintain current design
-No bike lane
-Design will not match up with Carrboro
-Less safe for pedestrians because of wider crossing distance

Curb-running | **Traffic-running**

- Additional funding needed for signal plans and Merritt Mill median engineering ($32,000 - $37,000)
- Funding for signal plan implementation and median construction ($TBD)
- Re-engineer Transit stops

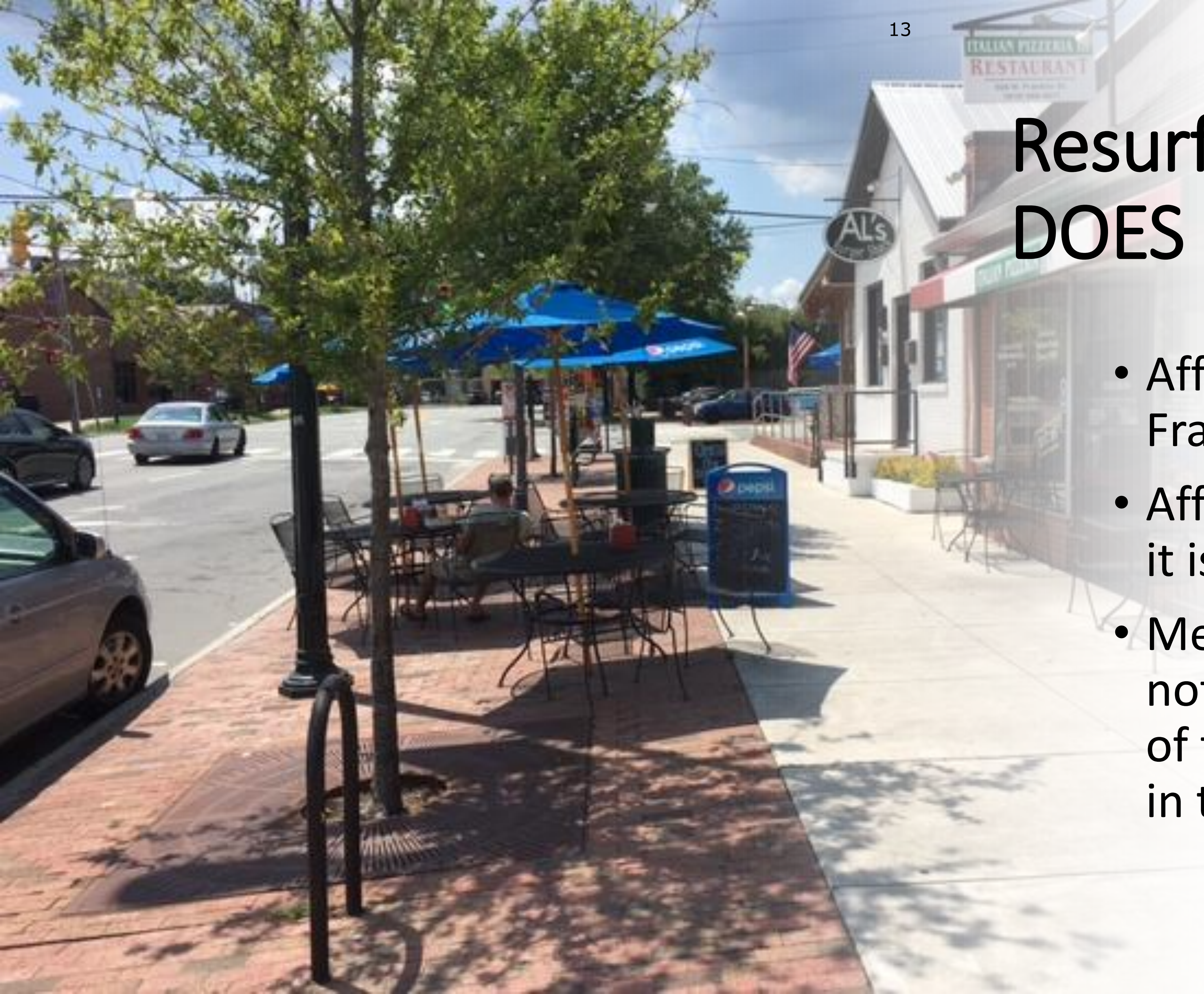
5-lanes

- No additional Town work required

Resurfacing and Restriping

Resurfacing/Restriping DOES:

- Allow NCDOT to pay for and oversee the work instead of the Town
- Set West Franklin Street up for testing and evaluating potential future designs
- Improve safety for all road users
  - Vehicle crashes decreased by 48%
  - Bike/ped crashes decreased by 33%
- Prevent the road from reverting to pre-COVID 5-lane design
- Reduce on-street parking (curb-running bike lanes only)



Resurfacing/Restriping DOES NOT:

- Affect future design of Franklin Street
- Affect sidewalk dining as it is currently operating
- Mean that the Town will not transfer maintenance of the street from NCDOT in the future

Next Steps

- Engage Ramey Kemp & Associates to design preferred option
- Submit approved pavement marking plans to NCDOT by March
- Continue to explore maintenance transfer
- Design public input process for future design of Franklin Street
- Return to Council in spring

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Item Overview

Item #: 2., **File #:** [22-0084], **Version:** 1 **Meeting Date:** 2/2/2022

American Rescue Plan Update.

Attachments:

- Draft Staff Presentation
- U.S. Treasury - Overview of the Final Rule
- Final Rule Guidance Presentation Slides

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Sarah Poulton, Downtown Special Projects Manager
Amy Oland, Business Management Director

The purpose of this item is to provide Council with an update on the American Rescue Plan Act (ARPA), discuss the Town's engagement approach, share what we have heard from the community, provide information from the U.S. Treasury's Final Rule on allowable uses for the funds, and close with next steps in the process.

AMERICAN RESCUE PLAN

Council Presentation – February 2, 2022

Agenda

- Engagement update
- What we heard from the community
- ARPA category review and updates from Treasury's Final Rule
- Decisions needed:
  - Preferred funding plan
  - Project evaluation criteria

Engagement Plan Update

Phase 1
- Tell us what is most important and any funding use ideas (now - mid-March)
  - Community tells us what categories are most important
  - Community proposes general ideas for funding uses

Phase 2
- Send us your projects (February- mid-March)
  - Organizations and Town departments apply for ARPA funds
  - We continually update category dashboard with category priorities

Phase 3
- Project review and prioritization (April - mid-May)
  - Community member and Town leadership teams review proposals with community priorities and Town needs in mind

Phase 4
- Council approves recommended projects (May - June)

Part of Let's Talk Town

Equity-Based Design

Draft

30 Office Hours:

- 12 Zoom hours including 2 evenings
- 6 parks or community centers
- 3 Library Friday mornings
- 3 Seymour Center meal pickups
- 2 coffee shops
- 2 Town Hall near payment box
- 1 Spanish mass at St. Thomas Moore church
- Facebook Live with Karen and Burmese community

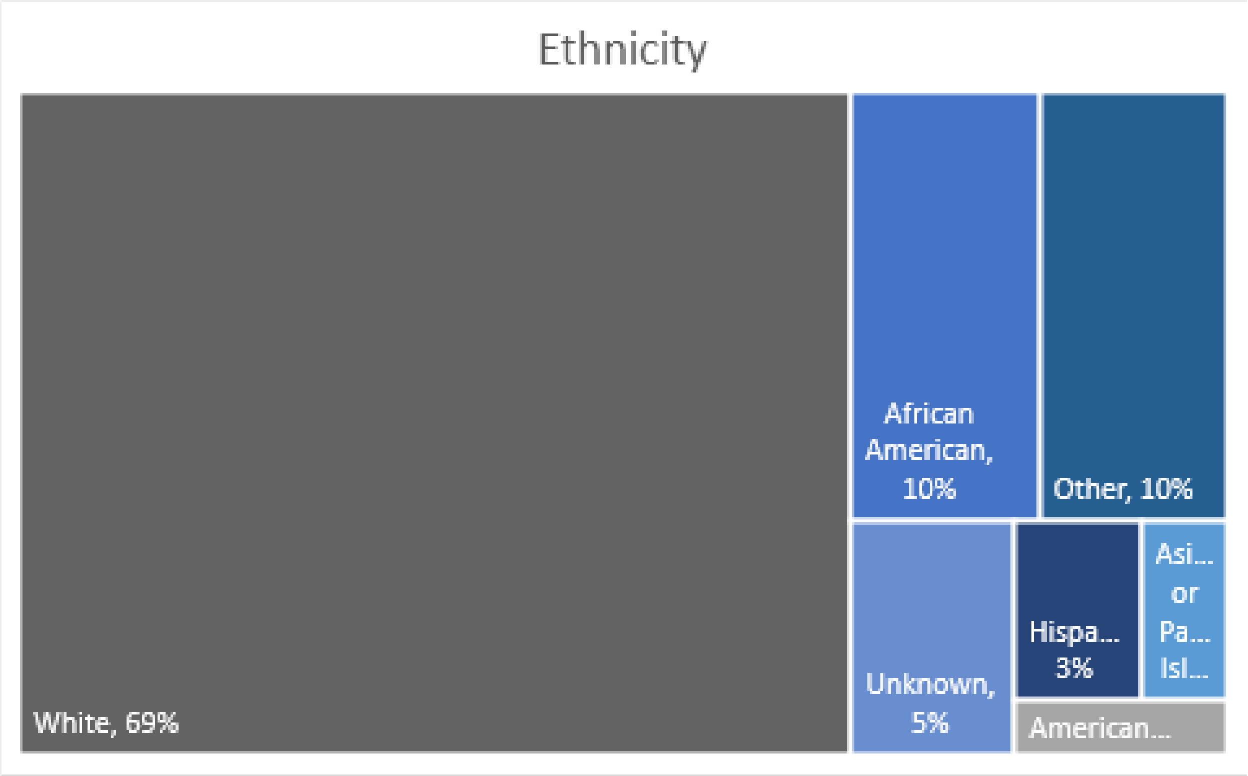
Numerous Town Partner Shares:

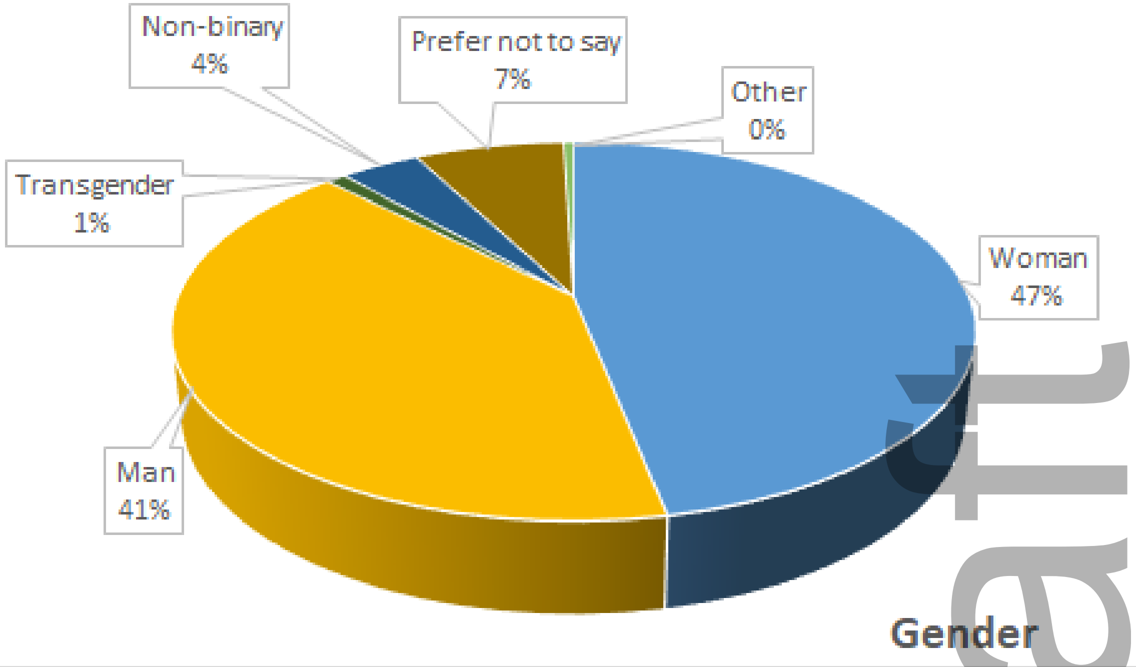
- Affordable Housing Coalition
- Numerous UNC groups and outlets (ie Tar Heel Citizen Times)
- Housing & Community Newsletter
- Refugee Community Partners
- El Centro
- IFC
- Parks & Recreation newsletter
- Faith leader listserv
- Media coverage

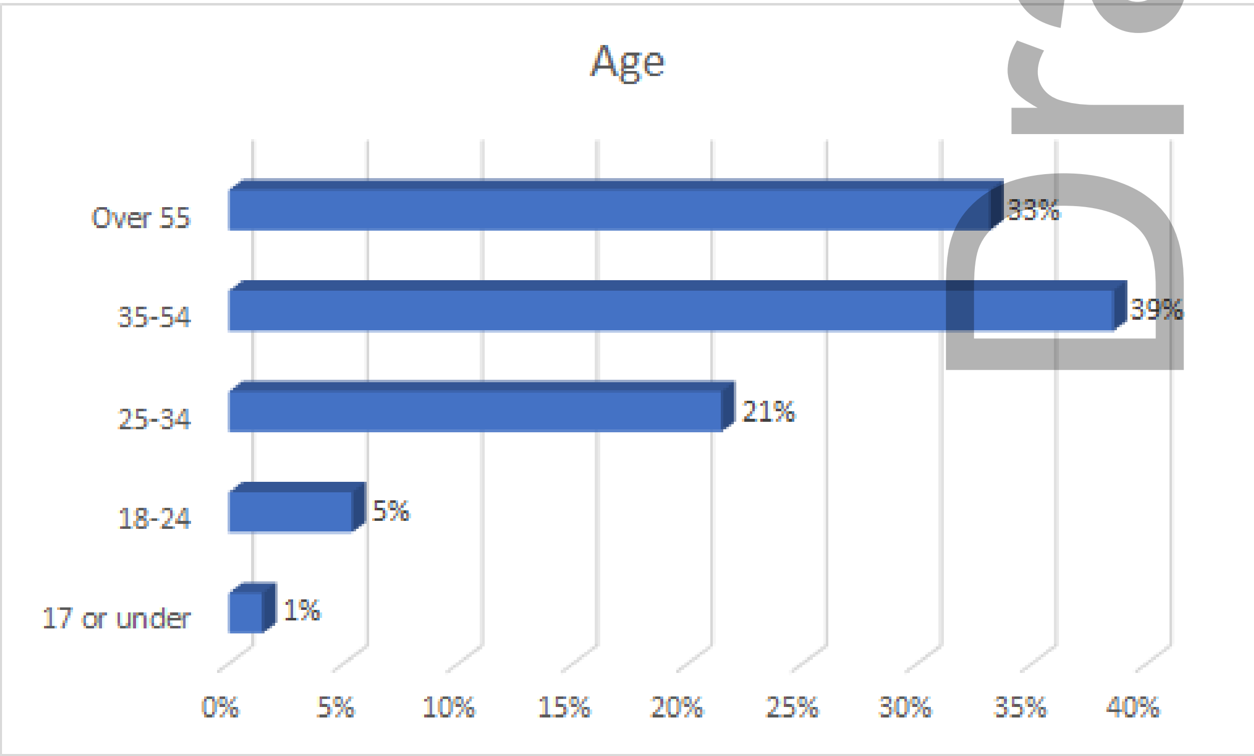
3,000+ Flyers and Doorhangers:

- All Public Housing neighborhoods
- All Transit buses including EZ Rider
- Town Food Bank
- Northside and Pine Knolls
- Manufactured home neighborhoods on MLK corridor
- Phoenix Place and Sonoma Way
- UNC campus
- Downtown
- Apartment complexes
- All open Town facilities
- Hargraves after schoolers

www.townofchapelhill.org/letstalktown



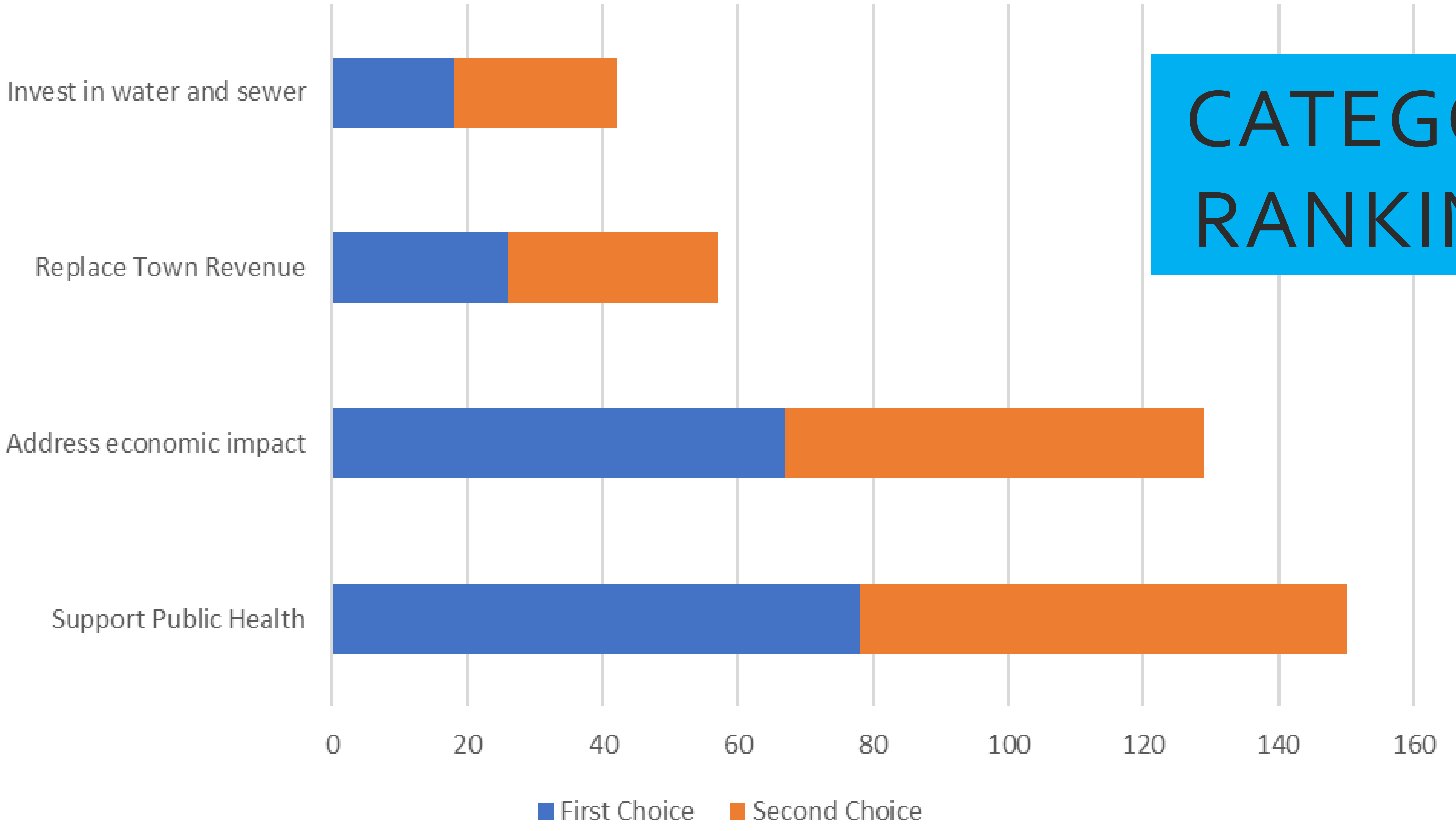


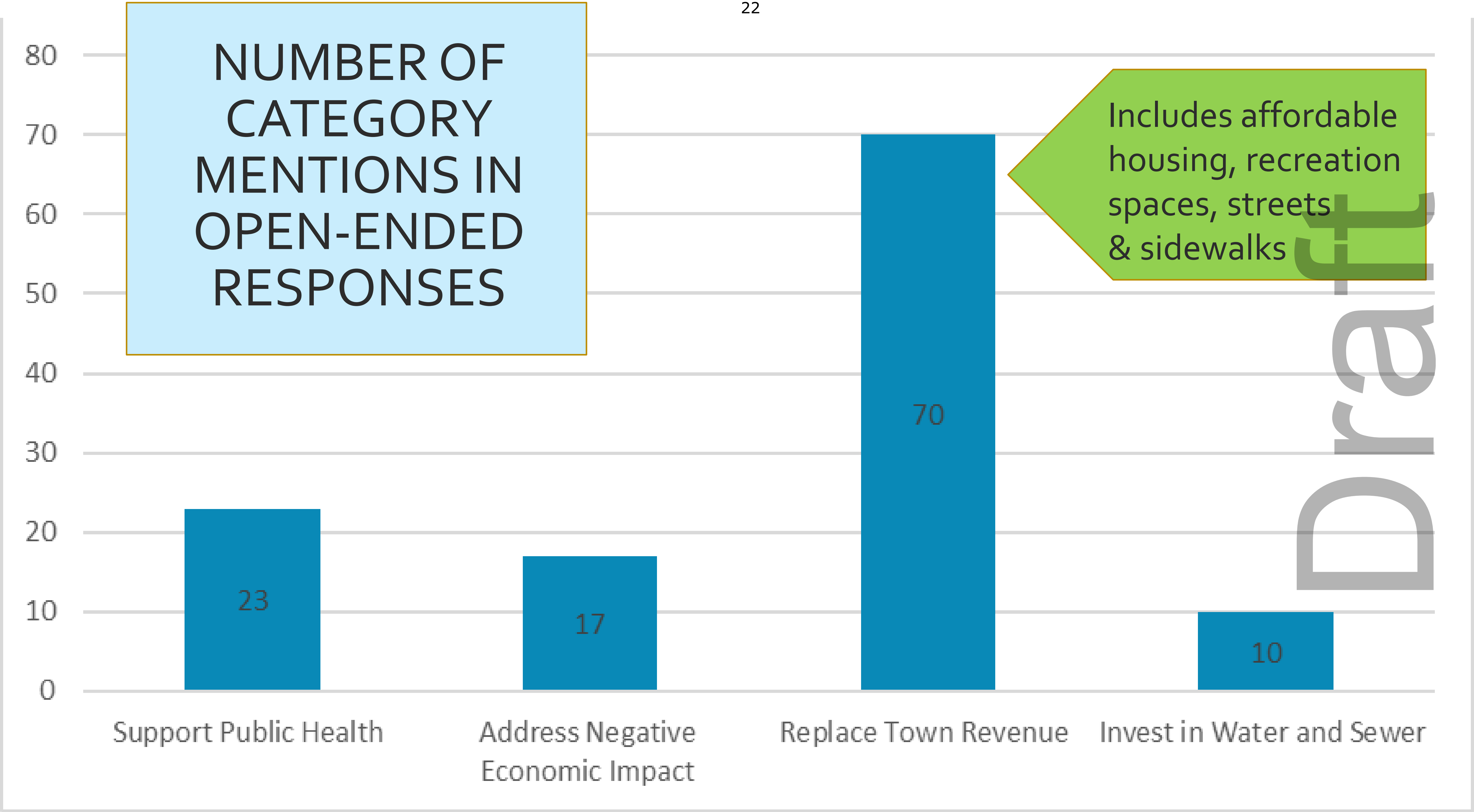


Draft

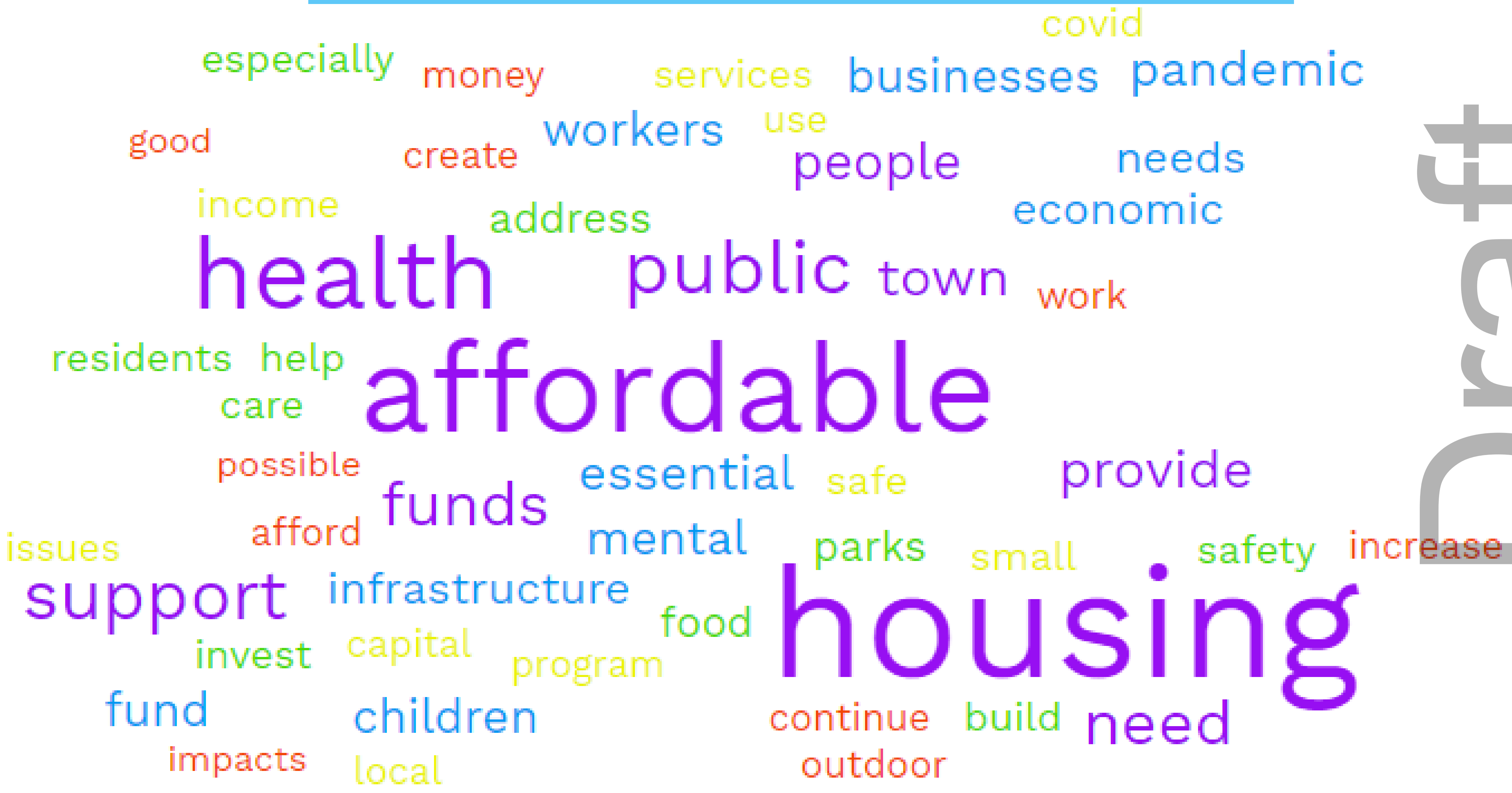
WHO ENGAGED WITH THE ARPA SURVEY

CATEGORY RANKINGS




NUMBER OF CATEGORY MENTIONS IN OPEN-ENDED RESPONSES
80
70
60
50
40
30
20
10
0
23
17
70
10
Support Public Health
Address Negative Economic Impact
Replace Town Revenue
Invest in Water and Sewer
Includes affordable housing, recreation spaces, streets & sidewalks

Community Project Ideas



Common Open-ended Response Themes

- Public housing
- Support mental health
- Support local businesses
- Career development
- Preserve, remodel, and maintain infrastructure
- Affordable childcare and day care
- Environmentally friendly projects

REPLACE LOST TOWN REVENUE

Provide government services to the extent of the loss in revenue because of the pandemic. This can include maintenance and pay go capital, vehicle replacements, streets and sidewalks, and affordable housing

- 58 people ranked as first or second category of importance to them
- 70 people mentioned in open-ended response
- Simplification in process – make election to adopt a $10 million revenue loss standard allowance
- Final rule provides additional flexibility but makes project selection more difficult
- Alternative funding sources:
  - FY21 Excess Fund Balance

SUPPORT PUBLIC HEALTH

Fund medical expenses, behavioral healthcare, and some public health and safety staff

- 150 people ranked as first or second category of importance to them
- 23 people mentioned in open-ended response
- Final Rule provides a broader set of eligible uses for impacted and disproportionately impacted populations
- Alternative funding sources:
  - Orange County is primary public health provider
  - Used CARES Act funding in 2020 and early 2021 for Town eligible expenses for pandemic response costs

ADDRESS NEGATIVE ECONOMIC IMPACT

Relieve economic harm to workers, households, small businesses, affected industries, and the public sector

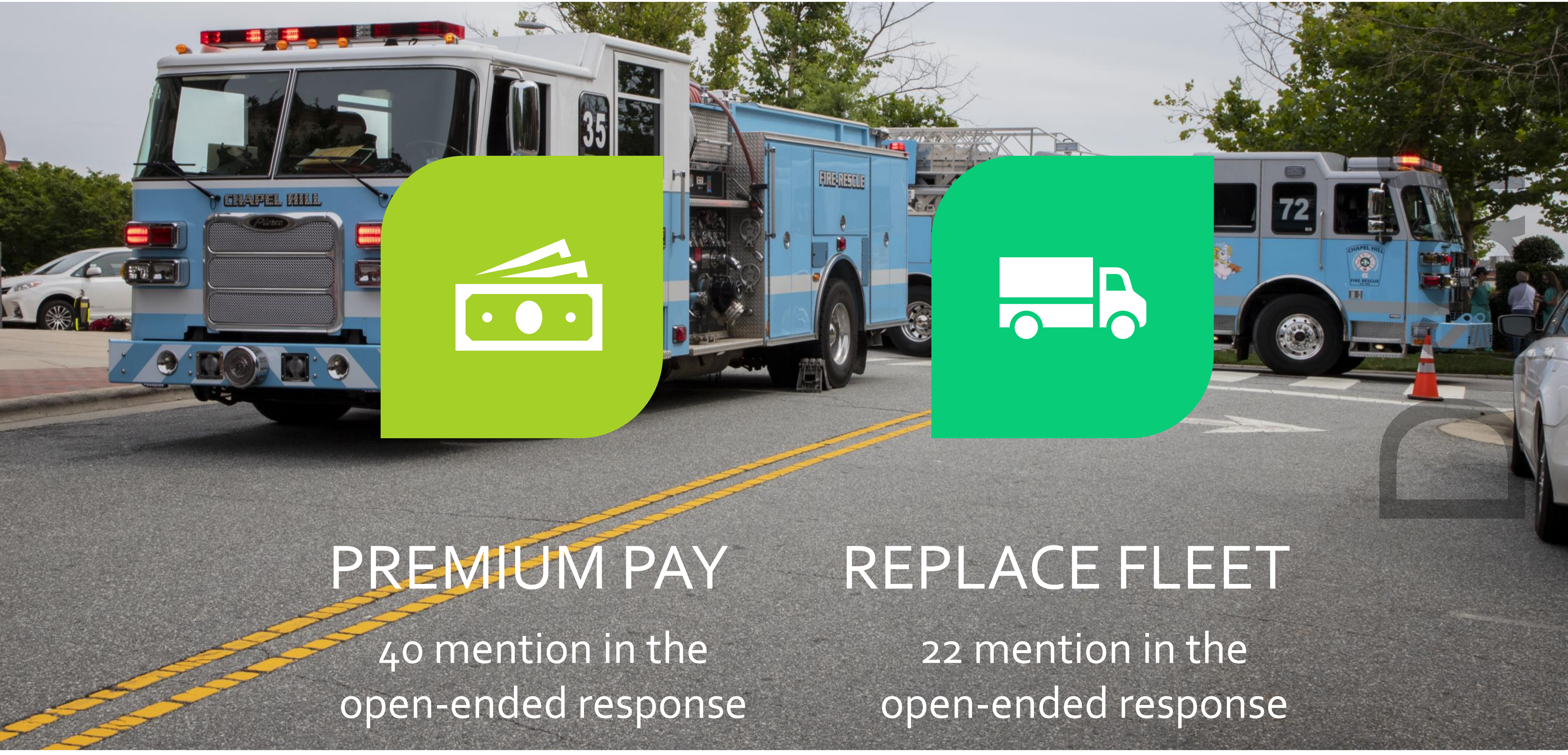
- 130 people ranked as first or second category of importance to them
- 17 people mentioned in open-ended response
- Final Rule expands eligible uses of funds and provides guidance on how to assess extent of impact had on households, small-businesses, non-profits and affected industries.
- Alternative funding sources:
  - AHDR
  - Human Services Funding
  - ReVive

INVEST IN WATER, SEWER AND BROADBAND

Make necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and facilitate broadband access

- 42 people ranked as first or second category of importance to them
- 10 people mentioned in open-ended response
- Final Rule expands water and sewer project eligibility; broadens eligible broadband investments (not allowed in NC)
- Alternative funding sources:
  - Stormwater Fund

EMPLOYEE RESPONSES



PREMIUM PAY

40 mention in the open-ended response

REPLACE FLEET

22 mention in the open-ended response

*Community project ideas approved by community review team only

Project Assessment Process

PROJECT REVIEW AND SCORING

Town Staff will review for:

- ARPA eligibility
- Is the project specific to pandemic relief
- Does the project meet our equity goals

Community Team will review:

- General merit of the project
- Benefitting a qualified census tract and most affected communities
- Check for cross-organization collaboration and connection to the target community
- How impact of funding will be measured

Timeline

1. Update to Council February 2
2. Open Applications on February 7
3. Close Applications March 15
4. Community Member Review Team Evaluates Projects in March/April
5. Recommended Project Lists to Council in May
6. Approved Projects Awarded Funding Summer/Fall

Decisions Needed

- Decisions needed:
  - Preferred funding plan
  - Project evaluation criteria

Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule

U.S. DEPARTMENT OF THE TREASURY

January 2022

The Overview of the Final Rule provides a summary of major provisions of the final rule for informational purposes and is intended as a brief, simplified user guide to the final rule provisions.

The descriptions provided in this document summarize key provisions of the final rule but are non-exhaustive, do not describe all terms and conditions associated with the use of SLFRF, and do not describe all requirements that may apply to this funding. Any SLFRF funds received are also subject to the terms and conditions of the agreement entered into by Treasury and the respective jurisdiction, which incorporate the provisions of the final rule and the guidance that implements this program.

Contents

Introduction

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan, delivers $350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The program ensures that governments have the resources needed to:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts,
- Maintain vital public services, even amid declines in revenue, and
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

EARLY PROGRAM IMPLEMENTATION

In May 2021, Treasury published the Interim final rule (IFR) describing eligible and ineligible uses of funds (as well as other program provisions), sought feedback from the public on these program rules, and began to distribute funds. The IFR went immediately into effect in May, and since then, governments have used SLFRF funds to meet their immediate pandemic response needs and begin building a strong and equitable recovery, such as through providing vaccine incentives, development of affordable housing, and construction of infrastructure to deliver safe and reliable water.

As governments began to deploy this funding in their communities, Treasury carefully considered the feedback provided through its public comment process and other forums. Treasury received over 1,500 comments, participated in hundreds of meetings, and received correspondence from a wide range of governments and other stakeholders.

KEY CHANGES AND CLARIFICATIONS IN THE FINAL RULE

The final rule delivers broader flexibility and greater simplicity in the program, responsive to feedback in the comment process. Among other clarifications and changes, the final rule provides the features below.

Replacing Lost Public Sector Revenue

The final rule offers a standard allowance for revenue loss of $10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount – in many cases their full award – for government services, with streamlined reporting requirements.

Public Health and Economic Impacts

In addition to programs and services, the final rule clarifies that recipients can use funds for capital expenditures that support an eligible COVID-19 public health or economic response. For example, recipients may build certain affordable housing, childcare facilities, schools, hospitals, and other projects consistent with final rule requirements.

In addition, the final rule provides an expanded set of households and communities that are presumed to be "impacted" and "disproportionately impacted" by the pandemic, thereby allowing recipients to provide responses to a broad set of households and entities without requiring additional analysis. Further, the final rule provides a broader set of uses available for these communities as part of COVID-19 public health and economic response, including making affordable housing, childcare, early learning, and services to address learning loss during the pandemic eligible in all impacted communities and making certain community development and neighborhood revitalization activities eligible for disproportionately impacted communities.

Further, the final rule allows for a broader set of uses to restore and support government employment, including hiring above a recipient's pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, avoiding layoffs, and providing retention incentives.

Premium Pay

The final rule delivers more streamlined options to provide premium pay, by broadening the share of eligible workers who can receive premium pay without a written justification while maintaining a focus on lower-income and frontline workers performing essential work.

Water, Sewer & Broadband Infrastructure

The final rule significantly broadens eligible broadband infrastructure investments to address challenges with broadband access, affordability, and reliability, and adds additional eligible water and sewer infrastructure investments, including a broader range of lead remediation and stormwater management projects.

FINAL RULE EFFECTIVE DATE

The final rule takes effect on April 1, 2022. Until that time, the interim final rule remains in effect; funds used consistently with the IFR while it is in effect are in compliance with the SLFRF program.

However, recipients can choose to take advantage of the final rule's flexibilities and simplifications now, even ahead of the effective date. Treasury will not take action to enforce the interim final rule to the extent that a use of funds is consistent with the terms of the final rule, regardless of when the SLFRF funds were used. Recipients may consult the *Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule*, which can be found on Treasury's website, for more information on compliance with the interim final rule and the final rule.

Overview of the Program

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program provides substantial flexibility for each jurisdiction to meet local needs within the four separate eligible use categories. This Overview of the Final Rule addresses the four eligible use categories ordered from the broadest and most flexible to the most specific.

Recipients may use SLFRF funds to:

- **Replace lost public sector revenue**, using this funding to provide government services up to the amount of revenue loss due to the pandemic.
    - Recipients may determine their revenue loss by choosing between two options:
        - A standard allowance of up to $10 million in aggregate, not to exceed their award amount, during the program;
        - Calculating their jurisdiction's specific revenue loss each year using Treasury's formula, which compares actual revenue to a counterfactual trend.
    - Recipients may use funds up to the amount of revenue loss for government services; generally, services traditionally provided by recipient governments are government services, unless Treasury has stated otherwise.
- **Support the COVID-19 public health and economic response** by addressing COVID-19 and its impact on public health as well as addressing economic harms to households, small businesses, nonprofits, impacted industries, and the public sector.
    - Recipients can use funds for programs, services, or capital expenditures that respond to the public health and negative economic impacts of the pandemic.
    - To provide simple and clear eligible uses of funds, Treasury provides a list of enumerated uses that recipients can provide to households, populations, or classes (i.e., groups) that experienced pandemic impacts.
    - Public health eligible uses include COVID-19 mitigation and prevention, medical expenses, behavioral healthcare, and preventing and responding to violence.
    - Eligible uses to respond to negative economic impacts are organized by the type of beneficiary: assistance to households, small businesses, and nonprofits.
        - Each category includes assistance for "impacted" and "disproportionately impacted" classes: impacted classes experienced the general, broad-based impacts of the pandemic, while disproportionately impacted classes faced meaningfully more severe impacts, often due to preexisting disparities.
        - To simplify administration, the final rule presumes that some populations and groups were impacted or disproportionately impacted and are eligible for responsive services.

    - Eligible uses for assistance to impacted households include aid for re-employment, job training, food, rent, mortgages, utilities, affordable housing development, childcare, early education, addressing learning loss, and many more uses.

    - Eligible uses for assistance to impacted small businesses or nonprofits include loans or grants to mitigate financial hardship, technical assistance for small businesses, and many more uses.

  - Recipients can also provide assistance to impacted industries like travel, tourism, and hospitality that faced substantial pandemic impacts, or address impacts to the public sector, for example by re-hiring public sector workers cut during the crisis.

  - Recipients providing funds for enumerated uses to populations and groups that Treasury has presumed eligible are clearly operating consistently with the final rule. Recipients can also identify (1) other populations or groups, beyond those presumed eligible, that experienced pandemic impacts or disproportionate impacts and (2) other programs, services, or capital expenditures, beyond those enumerated, to respond to those impacts.

- **Provide premium pay for eligible workers performing essential work**, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors.

  - Recipients may provide premium pay to eligible workers – generally those working in-person in key economic sectors – who are below a wage threshold or non-exempt from the Fair Labor Standards Act overtime provisions, or if the recipient submits justification that the premium pay is responsive to workers performing essential work.

- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet.

  - Recipients may fund a broad range of water and sewer projects, including those eligible under the EPA's Clean Water State Revolving Fund, EPA's Drinking Water State Revolving Fund, and certain additional projects, including a wide set of lead remediation, stormwater infrastructure, and aid for private wells and septic units.

  - Recipients may fund high-speed broadband infrastructure in areas of need that the recipient identifies, such as areas without access to adequate speeds, affordable options, or where connections are inconsistent or unreliable; completed projects must participate in a low-income subsidy program.

While recipients have considerable flexibility to use funds to address the diverse needs of their communities, some restrictions on use apply across all eligible use categories. These include:

- **For states and territories:** No offsets of a reduction in net tax revenue resulting from a change in state or territory law.

- **For all recipients except for Tribal governments:** No extraordinary contributions to a pension fund for the purpose of reducing an accrued, unfunded liability.

- **For all recipients:** No payments for debt service and replenishments of rainy day funds; no satisfaction of settlements and judgments; no uses that contravene or violate the American Rescue Plan Act, Uniform Guidance conflicts of interest requirements, and other federal, state, and local laws and regulations.

Under the SLFRF program, funds must be used for costs incurred on or after March 3, 2021. Further, funds must be obligated by December 31, 2024, and expended by December 31, 2026. This time period, during which recipients can expend SLFRF funds, is the "period of performance."

In addition to SLFRF, the American Rescue Plan includes other sources of funding for state and local governments, including the Coronavirus Capital Projects Fund to fund critical capital investments including broadband infrastructure; the Homeowner Assistance Fund to provide relief for our country's most vulnerable homeowners; the Emergency Rental Assistance Program to assist households that are unable to pay rent or utilities; and the State Small Business Credit Initiative to fund small business credit expansion initiatives. Eligible recipients are encouraged to visit the Treasury website for more information.

Replacing Lost Public Sector Revenue

The Coronavirus State and Local Fiscal Recovery Funds provide needed fiscal relief for recipients that have experienced revenue loss due to the onset of the COVID-19 public health emergency. Specifically, SLFRF funding may be used to pay for "government services" in an amount equal to the revenue loss experienced by the recipient due to the COVID-19 public health emergency.

Government services generally include any service traditionally provided by a government, including construction of roads and other infrastructure, provision of public safety and other services, and health and educational services. Funds spent under government services are subject to streamlined reporting and compliance requirements.

In order to use funds under government services, recipients should first determine revenue loss. They may, then, spend up to that amount on general government services.

DETERMINING REVENUE LOSS

Recipients have two options for how to determine their amount of revenue loss. Recipients must choose one of the two options and cannot switch between these approaches after an election is made.

1. **Recipients may elect a "standard allowance" of $10 million to spend on government services through the period of performance.**

   Under this option, which is newly offered in the final rule Treasury presumes that up to $10 million in revenue has been lost due to the public health emergency and recipients are permitted to use that amount (not to exceed the award amount) to fund "government services." The standard allowance provides an estimate of revenue loss that is based on an extensive analysis of average revenue loss across states and localities, and offers a simple, convenient way to determine revenue loss, particularly for SLFRF's smallest recipients.

   All recipients may elect to use this standard allowance instead of calculating lost revenue using the formula below, including those with total allocations of $10 million or less. Electing the standard allowance does not increase or decrease a recipient's total allocation.

2. **Recipients may calculate their actual revenue loss according to the formula articulated in the final rule.**

   Under this option, recipients calculate revenue loss at four distinct points in time, either at the end of each calendar year (e.g., December 31 for years 2020, 2021, 2022, and 2023) or the end of each fiscal year of the recipient. Under the flexibility provided in the final rule, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. Treasury has also provided several adjustments to the definition of general revenue in the final rule.

   To calculate revenue loss at each of these dates, recipients must follow a four-step process:

a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue.*

b. Estimate *counterfactual revenue*, which is equal to the following formula, where *n* is the number of months elapsed since the end of the base year to the calculation date:

$$base\ year\ revenue\ \times (1 + growth\ adjustment)^{\frac{n}{12}}$$

The *growth adjustment* is the greater of either a standard growth rate—5.2 percent—or the recipient's average annual revenue growth in the last full three fiscal years prior to the COVID-19 public health emergency.

c. Identify *actual revenue*, which equals revenues collected over the twelve months immediately preceding the calculation date.

Under the final rule, recipients must adjust actual revenue totals for the effect of tax cuts and tax increases that are adopted after the date of adoption of the final rule (January 6, 2022). Specifically, the estimated fiscal impact of tax cuts and tax increases adopted after January 6, 2022, must be added or subtracted to the calculation of actual revenue for purposes of calculation dates that occur on or after April 1, 2022.

Recipients may subtract from their calculation of actual revenue the effect of tax increases enacted prior to the adoption of the final rule. Note that recipients that elect to remove the effect of tax increases enacted before the adoption of the final rule must also remove the effect of tax decreases enacted before the adoption of the final rule, such that they are accurately removing the effect of tax policy changes on revenue.

d. Revenue loss for the calculation date is equal to *counterfactual revenue* minus *actual revenue* (adjusted for tax changes) for the twelve-month period. If actual revenue exceeds counterfactual revenue, the loss is set to zero for that twelve-month period. Revenue loss for the period of performance is the sum of the revenue loss on for each calculation date.

The supplementary information in the final rule provides an example of this calculation, which recipients may find helpful, in the Revenue Loss section.

SPENDING ON GOVERNMENT SERVICES

Recipients can use SLFRF funds on government services up to the revenue loss amount, whether that be the standard allowance amount or the amount calculated using the above approach. **Government services generally include *any service* traditionally provided by a government**, unless Treasury has stated otherwise**.** Here are some common examples, although this list is not exhaustive:

- ✓ Construction of schools and hospitals
- ✓ Road building and maintenance, and other infrastructure
- ✓ Health services
- ✓ General government administration, staff, and administrative facilities
- ✓ Environmental remediation
- ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

Government services is the most flexible eligible use category under the SLFRF program, and funds are subject to streamlined reporting and compliance requirements. Recipients should be mindful that certain restrictions, which are detailed further in the Restrictions on Use section and apply to all uses of funds, apply to government services as well.

Responding to Public Health and Economic Impacts of COVID-19

The Coronavirus State and Local Fiscal Recovery Funds provide resources for governments to meet the public health and economic needs of those impacted by the pandemic in their communities, as well as address longstanding health and economic disparities, which amplified the impact of the pandemic in disproportionately impacted communities, resulting in more severe pandemic impacts.

The eligible use category to respond to public health and negative economic impacts is organized around the types of assistance a recipient may provide and includes several sub-categories:

- public health,
- assistance to households,
- assistance to small businesses,
- assistance to nonprofits,
- aid to impacted industries, and
- public sector capacity.

In general, to identify eligible uses of funds in this category, recipients should (1) identify a COVID-19 public health or economic impact on an individual or class (i.e., a group) and (2) design a program that responds to that impact. Responses should be related and reasonably proportional to the harm identified and reasonably designed to benefit those impacted.

To provide simple, clear eligible uses of funds that meet this standard, Treasury provides a non-exhaustive list of enumerated uses that respond to pandemic impacts. Treasury also presumes that some populations experienced pandemic impacts and are eligible for responsive services. In other words, recipients providing enumerated uses of funds to populations presumed eligible are clearly operating consistently with the final rule.[1]

Recipients also have broad flexibility to (1) identify and respond to other pandemic impacts and (2) serve other populations that experienced pandemic impacts, beyond the enumerated uses and presumed eligible populations. Recipients can also identify groups or “classes” of beneficiaries that experienced pandemic impacts and provide services to those classes.

[1] However, please note that use of funds for enumerated uses may not be grossly disproportionate to the harm. Further, recipients should consult the Capital Expenditures section for more information about pursuing a capital expenditure; please note that enumerated capital expenditures are not presumed to be reasonably proportional responses to an identified harm except as provided in the Capital Expenditures section.

Step	1. Identify COVID-19 public health or economic impact	2. Design a response that addresses or responds to the impact
Analysis	• Can identify impact to a specific household, business or nonprofit or to a class of households, businesses, or nonprofits (i.e., group) • Can also identify disproportionate impacts, or more severe impacts, to a specific beneficiary or to a class	• Types of responses can include a program, service, or capital expenditure • Response should be related and reasonably proportional to the harm • Response should also be reasonably designed to benefit impacted individual or class
Simplifying Presumptions	• Final Rule presumes certain populations and classes are impacted and disproportionately impacted	• Final Rule provides non-exhaustive list of enumerated eligible uses that respond to pandemic impacts and disproportionate impacts

To assess eligibility of uses of funds, recipients should first determine the sub-category where their use of funds may fit (e.g., public health, assistance to households, assistance to small businesses), based on the entity that experienced the health or economic impact.[2] Then, recipients should refer to the relevant section for more details on each sub-category.

While the same overall eligibility standard applies to all uses of funds to respond to the public health and negative economic impacts of the pandemic, each sub-category has specific nuances on its application. In addition:

- Recipients interested in using funds for capital expenditures (i.e., investments in property, facilities, or equipment) should review the Capital Expenditures section in addition to the eligible use sub-category.
- Recipients interested in other uses of funds, beyond the enumerated uses, should refer to the section on “Framework for Eligible Uses Beyond Those Enumerated.”

[2] For example, a recipient interested in providing aid to unemployed individuals is addressing a negative economic impact experienced by a household and should refer to the section on assistance to households. Recipients should also be aware of the difference between “beneficiaries” and “sub-recipients.” Beneficiaries are households, small businesses, or nonprofits that can receive assistance based on impacts of the pandemic that they experienced. On the other hand, sub-recipients are organizations that carry out eligible uses on behalf of a government, often through grants or contracts. Sub-recipients do not need to have experienced a negative economic impact of the pandemic; rather, they are providing services to beneficiaries that experienced an impact.

RESPONDING TO THE PUBLIC HEALTH EMERGENCY

While the country has made tremendous progress in the fight against COVID-19, including a historic vaccination campaign, the disease still poses a grave threat to Americans' health and the economy. Providing state, local, and Tribal governments the resources needed to fight the COVID-19 pandemic is a core goal of the Coronavirus State and Local Fiscal Recovery Funds, as well as addressing the other ways that the pandemic has impacted public health. Treasury has identified several public health impacts of the pandemic and enumerated uses of funds to respond to impacted populations.

- **COVID-19 mitigation and prevention.** The pandemic has broadly impacted Americans and recipients can provide services to prevent and mitigate COVID-19 to the general public or to small businesses, nonprofits, and impacted industries in general. Enumerated eligible uses include:
  - ✓ Vaccination programs, including vaccine incentives and vaccine sites
  - ✓ Testing programs, equipment and sites
  - ✓ Monitoring, contact tracing & public health surveillance (e.g., monitoring for variants)
  - ✓ Public communication efforts
  - ✓ Public health data systems
  - ✓ COVID-19 prevention and treatment equipment, such as ventilators and ambulances
  - ✓ Medical and PPE/protective supplies
  - ✓ Support for isolation or quarantine
  - ✓ Ventilation system installation and improvement
  - ✓ Technical assistance on mitigation of COVID-19 threats to public health and safety
  - ✓ Transportation to reach vaccination or testing sites, or other prevention and mitigation services for vulnerable populations
  - ✓ Support for prevention, mitigation, or other services in congregate living facilities, public facilities, and schools
  - ✓ Support for prevention and mitigation strategies in small businesses, nonprofits, and impacted industries
  - ✓ Medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., ICUs, emergency rooms)
  - ✓ Temporary medical facilities and other measures to increase COVID-19 treatment capacity
  - ✓ Emergency operations centers & emergency response equipment (e.g., emergency response radio systems)
  - ✓ Public telemedicine capabilities for COVID-19 related treatment

- **Medical expenses.** Funds may be used for expenses to households, medical providers, or others that incurred medical costs due to the pandemic, including**:**
  - ✓ Unreimbursed expenses for medical care for COVID-19 testing or treatment, such as uncompensated care costs for medical providers or out-of-pocket costs for individuals
  - ✓ Paid family and medical leave for public employees to enable compliance with COVID-19 public health precautions
  - ✓ Emergency medical response expenses
  - ✓ Treatment of long-term symptoms or effects of COVID-19

- **Behavioral health care, such as mental health treatment, substance use treatment, and other behavioral health services.** Treasury recognizes that the pandemic has broadly impacted Americans' behavioral health and recipients can provide these services to the general public to respond. Enumerated eligible uses include:
  - ✓ Prevention, outpatient treatment, inpatient treatment, crisis care, diversion programs, outreach to individuals not yet engaged in treatment, harm reduction & long-term recovery support
  - ✓ Enhanced behavioral health services in schools
  - ✓ Services for pregnant women or infants born with neonatal abstinence syndrome
  - ✓ Support for equitable access to reduce disparities in access to high-quality treatment
  - ✓ Peer support groups, costs for residence in supportive housing or recovery housing, and the 988 National Suicide Prevention Lifeline or other hotline services
  - ✓ Expansion of access to evidence-based services for opioid use disorder prevention, treatment, harm reduction, and recovery
  - ✓ Behavioral health facilities & equipment

- **Preventing and responding to violence.** Recognizing that violence – and especially gun violence – has increased in some communities due to the pandemic, recipients may use funds to respond in these communities through**:**
  - ✓ Referrals to trauma recovery services for victims of crime
  - ✓ Community violence intervention programs, including:
    - Evidence-based practices like focused deterrence, with wraparound services such as behavioral therapy, trauma recovery, job training, education, housing and relocation services, and financial assistance
  - ✓ In communities experiencing increased gun violence due to the pandemic:
    - Law enforcement officers focused on advancing community policing
    - Enforcement efforts to reduce gun violence, including prosecution
    - Technology & equipment to support law enforcement response

RESPONDING TO NEGATIVE ECONOMIC IMPACTS

The pandemic caused severe economic damage and, while the economy is on track to a strong recovery, much work remains to continue building a robust, resilient, and equitable economy in the wake of the crisis and to ensure that the benefits of this recovery reach all Americans. While the pandemic impacted millions of American households and businesses, some of its most severe impacts fell on low-income and underserved communities, where pre-existing disparities amplified the impact of the pandemic and where the most work remains to reach a full recovery.

The final rule recognizes that the pandemic caused broad-based impacts that affected many communities, households, and small businesses across the country; for example, many workers faced unemployment and many small businesses saw declines in revenue. The final rule describes these as “impacted" households, communities, small businesses, and nonprofits.

At the same time, the pandemic caused disproportionate impacts, or more severe impacts, in certain communities. For example, low-income and underserved communities have faced more severe health and economic outcomes like higher rates of COVID-19 mortality and unemployment, often because pre-existing disparities exacerbated the impact of the pandemic. The final rule describes these as “disproportionately impacted” households, communities, small businesses, and nonprofits.

To simplify administration of the program, the final rule presumes that certain populations were “impacted” and “disproportionately impacted” by the pandemic; these populations are presumed to be eligible for services that respond to the impact they experienced. The final rule also enumerates a non-exhaustive list of eligible uses that are recognized as responsive to the impacts or disproportionate impacts of COVID-19. Recipients providing enumerated uses to populations presumed eligible are clearly operating consistently with the final rule.

As discussed further in the section Framework for Eligible Uses Beyond Those Enumerated, recipients can also identify other pandemic impacts, impacted or disproportionately impacted populations or classes, and responses.

Assistance to Households

Impacted Households and Communities

Treasury presumes the following households and communities are impacted by the pandemic:

- ✓ Low- or-moderate income households or communities
- ✓ Households that experienced unemployment
- ✓ Households that experienced increased food or housing insecurity
- ✓ Households that qualify for the Children's Health Insurance Program, Childcare Subsidies through the Child Care Development Fund (CCDF) Program, or Medicaid
- ✓ *When providing affordable housing programs*: households that qualify for the National Housing Trust Fund and Home Investment Partnerships Program
- ✓ *When providing services to address lost instructional time in K-12 schools*: any student that lost access to in-person instruction for a significant period of time

Low- or moderate-income households and communities are those with (i) income at or below 300 percent of the Federal Poverty Guidelines for the size of the household based on the most recently published poverty guidelines or (ii) income at or below 65 percent of the area median income for the county and size of household based on the most recently published data. For the vast majority of communities, the Federal Poverty Guidelines are higher than the area's median income and using the Federal Poverty Guidelines would result in more households and communities being presumed eligible. Treasury has provided an easy-to-use spreadsheet with Federal Poverty Guidelines and area median income levels on its website.

Recipients can measure income for a specific household or the median income for the community, depending on whether the response they plan to provide serves specific households or the general community. The income thresholds vary by household size; recipients should generally use income thresholds for the appropriate household size but can use a default household size of three when easier for administration or when measuring income for a general community.

The income limit for 300 percent of the Federal Poverty Guidelines for a household of three is $65,880 per year.[3] In other words, recipients can always presume that a household earning below this level, or a community with median income below this level, is impacted by the pandemic and eligible for services to respond. Additionally, by following the steps detailed in the section Framework for Eligible Uses Beyond Those Enumerated, recipients may designate additional households as impacted or disproportionately impacted beyond these presumptions, and may also pursue projects not listed below in response to these impacts consistent with Treasury's standards.

[3] For recipients in Alaska, the income limit for 300 percent of the Federal Poverty Guidelines for a household of three is $82,350 per year. For recipients in Hawaii, the income limit for 300 percent of the Federal Poverty Guidelines for a household of three is $75,780 per year.

Treasury recognizes the enumerated projects below, which have been expanded under the final rule, as eligible to respond to impacts of the pandemic on households and communities:

- ✓ Food assistance & food banks
- ✓ Emergency housing assistance: rental assistance, mortgage assistance, utility assistance, assistance paying delinquent property taxes, counseling and legal aid to prevent eviction and homelessness & emergency programs or services for homeless individuals, including temporary residences for people experiencing homelessness
- ✓ Health insurance coverage expansion
- ✓ Benefits for surviving family members of individuals who have died from COVID-19
- ✓ Assistance to individuals who want and are available for work, including job training, public jobs programs and fairs, support for childcare and transportation to and from a jobsite or interview, incentives for newly-employed workers, subsidized employment, grants to hire underserved workers, assistance to unemployed individuals to start small businesses & development of job and workforce training centers
- ✓ Financial services for the unbanked and underbanked
- ✓ Burials, home repair & home weatherization
- ✓ Programs, devices & equipment for internet access and digital literacy, including subsidies for costs of access
- ✓ Cash assistance
- ✓ Paid sick, medical, and family leave programs
- ✓ Assistance in accessing and applying for public benefits or services
- ✓ Childcare and early learning services, home visiting programs, services for child welfare-involved families and foster youth & childcare facilities
- ✓ Assistance to address the impact of learning loss for K-12 students (e.g., high-quality tutoring, differentiated instruction)
- ✓ Programs or services to support long-term housing security: including development of affordable housing and permanent supportive housing
- ✓ Certain contributions to an Unemployment Insurance Trust Fund[4]

[4] Recipients may only use SLFRF funds for contributions to unemployment insurance trust funds and repayment of the principal amount due on advances received under Title XII of the Social Security Act up to an amount equal to (i) the difference between the balance in the recipient's unemployment insurance trust fund as of January 27, 2020 and the balance of such account as of May 17, 2021, plus (ii) the principal amount outstanding as of May 17, 2021 on any advances received under Title XII of the Social Security Act between January 27, 2020 and May 17, 2021. Further, recipients may use SLFRF funds for the payment of any interest due on such Title XII advances. Additionally, a recipient that deposits SLFRF funds into its unemployment insurance trust fund to fully restore the pre-pandemic balance may not draw down that balance and deposit more SLFRF funds, back up to the pre-pandemic balance. Recipients that deposit SLFRF funds into an unemployment insurance trust fund, or use SLFRF funds to repay principal on Title XII advances, may not take action to reduce benefits available to unemployed workers by changing the computation method governing regular unemployment compensation in a way that results in a reduction of average weekly benefit amounts or the number of weeks of benefits payable (i.e., maximum benefit entitlement).

Disproportionately Impacted Households and Communities

Treasury presumes the following households and communities are disproportionately impacted by the pandemic:

- ✓ Low -income households and communities
- ✓ Households residing in Qualified Census Tracts
- ✓ Households that qualify for certain federal benefits[5]
- ✓ Households receiving services provided by Tribal governments
- ✓ Households residing in the U.S. territories or receiving services from these governments

Low-income households and communities are those with (i) income at or below 185 percent of the Federal Poverty Guidelines for the size of its household based on the most recently published poverty guidelines or (ii) income at or below 40 percent of area median income for its county and size of household based on the most recently published data. For the vast majority of communities, the Federal Poverty Guidelines level is higher than the area median income level and using this level would result in more households and communities being presumed eligible. Treasury has provided an easy-to-use spreadsheet with Federal Poverty Guidelines and area median income levels on its website.

Recipients can measure income for a specific household or the median income for the community, depending on whether the service they plan to provide serves specific households or the general community. The income thresholds vary by household size; recipients should generally use income thresholds for the appropriate household size but can use a default household size of three when easier for administration or when measuring income for a general community.

The income limit for 185 percent of the Federal Poverty Guidelines for a household of three is $40,626 per year.[6] In other words, recipients can always presume that a household earning below this level, or a community with median income below this level, is disproportionately impacted by the pandemic and eligible for services to respond.

[5] These programs are Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Free- and Reduced-Price Lunch (NSLP) and/or School Breakfast (SBP) programs, Medicare Part D Low-Income Subsidies, Supplemental Security Income (SSI), Head Start and/or Early Head Start, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Section 8 Vouchers, Low-Income Home Energy Assistance Program (LIHEAP), and Pell Grants. For services to address educational disparities, Treasury will recognize Title I eligible schools as disproportionately impacted and responsive services that support the school generally or support the whole school as eligible.

[6] For recipients in Alaska, the income limit for 185 percent of the Federal Poverty Guidelines for a household of three is $50,783 per year. For recipients in Hawaii, the income limit for 185 percent of the Federal Poverty Guidelines for a household of three is $46,731 per year

Treasury recognizes the enumerated projects below, which have been expanded under the final rule, as eligible to respond to disproportionate impacts of the pandemic on households and communities:

- ✓ Pay for community health workers to help households access health & social services
- ✓ Remediation of lead paint or other lead hazards
- ✓ Primary care clinics, hospitals, integration of health services into other settings, and other investments in medical equipment & facilities designed to address health disparities
- ✓ Housing vouchers & assistance relocating to neighborhoods with higher economic opportunity
- ✓ Investments in neighborhoods to promote improved health outcomes
- ✓ Improvements to vacant and abandoned properties, including rehabilitation or maintenance, renovation, removal and remediation of environmental contaminants, demolition or deconstruction, greening/vacant lot cleanup & conversion to affordable housing[7]
- ✓ Services to address educational disparities, including assistance to high-poverty school districts & educational and evidence-based services to address student academic, social, emotional, and mental health needs
- ✓ Schools and other educational equipment & facilities

[7] Please see the final rule for further details and conditions applicable to this eligible use. This includes Treasury's presumption that demolition of vacant or abandoned residential properties that results in a net reduction in occupiable housing units for low- and moderate-income individuals in an area where the availability of such housing is lower than the need for such housing is ineligible for support with SLFRF funds.

Assistance to Small Businesses

Small businesses have faced widespread challenges due to the pandemic, including periods of shutdown, declines in revenue, or increased costs. The final rule provides many tools for recipients to respond to the impacts of the pandemic on small businesses, or disproportionate impacts on businesses where pre-existing disparities like lack of access to capital compounded the pandemic's effects.

Small businesses eligible for assistance are those that experienced negative economic impacts or disproportionate impacts of the pandemic and meet the definition of "small business," specifically:

1. Have no more than 500 employees, or if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and

2. Are a small business concern as defined in section 3 of the Small Business Act[8] (which includes, among other requirements, that the business is independently owned and operated and is not dominant in its field of operation).

Impacted Small Businesses

Recipients can identify small businesses impacted by the pandemic, and measures to respond, in many ways; for example, recipients could consider:

- ✓ Decreased revenue or gross receipts
- ✓ Financial insecurity
- ✓ Increased costs
- ✓ Capacity to weather financial hardship
- ✓ Challenges covering payroll, rent or mortgage, and other operating costs

Assistance to small businesses that experienced negative economic impacts includes the following enumerated uses:

- ✓ Loans or grants to mitigate financial hardship, such as by supporting payroll and benefits, costs to retain employees, and mortgage, rent, utility, and other operating costs
- ✓ Technical assistance, counseling, or other services to support business planning

Disproportionately Impacted Small Businesses

Treasury presumes that the following small businesses are disproportionately impacted by the pandemic:

[8] 15 U.S.C. 632.

- ✓ Small businesses operating in Qualified Census Tracts
- ✓ Small businesses operated by Tribal governments or on Tribal lands
- ✓ Small businesses operating in the U.S. territories

Assistance to disproportionately impacted small businesses includes the following enumerated uses, which have been expanded under the final rule:

- ✓ Rehabilitation of commercial properties, storefront improvements & façade improvements
- ✓ Technical assistance, business incubators & grants for start-up or expansion costs for small businesses
- ✓ Support for microbusinesses, including financial, childcare, and transportation costs

Assistance to Nonprofits

Nonprofits have faced significant challenges due to the pandemic's increased demand for services and changing operational needs, as well as declines in revenue sources such as donations and fees. Nonprofits eligible for assistance are those that experienced negative economic impacts or disproportionate impacts of the pandemic and meet the definition of "nonprofit"—specifically those that are 501(c)(3) or 501(c)(19) tax-exempt organizations.

Impacted Nonprofits

Recipients can identify nonprofits impacted by the pandemic, and measures to respond, in many ways; for example, recipients could consider:

- ✓ Decreased revenue (e.g., from donations and fees)
- ✓ Financial insecurity
- ✓ Increased costs (e.g., uncompensated increases in service need)
- ✓ Capacity to weather financial hardship
- ✓ Challenges covering payroll, rent or mortgage, and other operating costs

Assistance to nonprofits that experienced negative economic impacts includes the following enumerated uses:

- ✓ Loans or grants to mitigate financial hardship
- ✓ Technical or in-kind assistance or other services that mitigate negative economic impacts of the pandemic

Disproportionately Impacted Nonprofits

Treasury presumes that the following nonprofits are disproportionately impacted by the pandemic:

- ✓ Nonprofits operating in Qualified Census Tracts
- ✓ Nonprofits operated by Tribal governments or on Tribal lands
- ✓ Nonprofits operating in the U.S. territories

Recipients may identify appropriate responses that are related and reasonably proportional to addressing these disproportionate impacts.

Aid to Impacted Industries

Recipients may use SLFRF funding to provide aid to industries impacted by the COVID-19 pandemic. Recipients should first designate an impacted industry and then provide aid to address the impacted industry's negative economic impact.

This sub-category of eligible uses does not separately identify disproportionate impacts and corresponding responsive services.

1. **Designating an impacted industry.** There are two main ways an industry can be designated as "impacted."

    1. If the industry is in the travel, tourism, or hospitality sectors (including Tribal development districts), the industry is impacted.

    2. If the industry is outside the travel, tourism, or hospitality sectors, the industry is impacted if:

        a. The industry experienced at least 8 percent employment loss from pre-pandemic levels,[9] or

        b. The industry is experiencing comparable or worse economic impacts as the national tourism, travel, and hospitality industries as of the date of the final rule, based on the totality of economic indicators or qualitative data (if quantitative data is unavailable), and if the impacts were generally due to the COVID-19 public health emergency.

    Recipients have flexibility to define industries broadly or narrowly, but Treasury encourages recipients to define narrow and discrete industries eligible for aid. State and territory recipients also have flexibility to define the industries with greater geographic precision; for example, a state may identify a particular industry in a certain region of a state as impacted.

2. **Providing eligible aid to the impacted industry.** Aid may only be provided to support businesses, attractions, and Tribal development districts operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic. Further, aid should be generally broadly available to all businesses within the impacted industry to avoid potential conflicts of interest, and Treasury encourages aid to be first used for operational expenses, such as payroll, before being used on other types of costs.

[9] Specifically, a recipient should compare the percent change in the number of employees of the recipient's identified industry and the national Leisure & Hospitality sector in the three months before the pandemic's most severe impacts began (a straight three-month average of seasonally-adjusted employment data from December 2019, January 2020, and February 2020) with the latest data as of the final rule (a straight three-month average of seasonally-adjusted employment data from September 2021, October 2021, and November 2021). For parity and simplicity, smaller recipients without employment data that measure industries in their specific jurisdiction may use data available for a broader unit of government for this calculation (e.g., a county may use data from the state in which it is located; a city may use data for the county, if available, or state in which it is located) solely for purposes of determining whether a particular industry is an impacted industry.

Treasury recognizes the enumerated projects below as eligible responses to impacted industries.

- ✓ Aid to mitigate financial hardship, such as supporting payroll costs, lost pay and benefits for returning employees, support of operations and maintenance of existing equipment and facilities
- ✓ Technical assistance, counseling, or other services to support business planning
- ✓ COVID-19 mitigation and infection prevention measures (see section Public Health)

As with all eligible uses, recipients may pursue a project not listed above by undergoing the steps outlined in the section Framework for Eligible Uses Beyond Those Enumerated.

PUBLIC SECTOR CAPACITY

Recipients may use SLFRF funding to restore and bolster public sector capacity, which supports government's ability to deliver critical COVID-19 services. There are three main categories of eligible uses to bolster public sector capacity and workforce: Public Safety, Public Health, and Human Services Staff; Government Employment and Rehiring Public Sector Staff; and Effective Service Delivery.

Public Safety, Public Health, and Human Services Staff

SLFRF funding may be used for payroll and covered benefits for public safety, public health, health care, human services and similar employees of a recipient government, for the portion of the employee's time spent responding to COVID-19. Recipients should follow the steps below.

1. **Identify eligible public safety, public health, and human services staff.** Public safety staff include:

   - ✓ Police officers (including state police officers)
   - ✓ Sheriffs and deputy sheriffs
   - ✓ Firefighters
   - ✓ Emergency medical responders
   - ✓ Correctional and detention officers
   - ✓ Dispatchers and supervisor personnel that directly support public safety staff

   Public health staff include:

   - ✓ Employees involved in providing medical and other physical or mental health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions
   - ✓ Laboratory technicians, medical examiners, morgue staff, and other support services essential for patient care
   - ✓ Employees of public health departments directly engaged in public health matters and related supervisory personnel

   Human services staff include:

   - ✓ Employees providing or administering social services and public benefits
   - ✓ Child welfare services employees
   - ✓ Child, elder, or family care employees

2. **Assess portion of time spent on COVID-19 response for eligible staff.**

   Recipients can use a variety of methods to assess the share of an employees' time spent responding to COVID-19, including using reasonable estimates—such as estimating the share of time based on discussions with staff and applying that share to all employees in that position.

   For administrative convenience, recipients can consider public health and safety employees entirely devoted to responding to COVID-19 (and their payroll and benefits fully covered by SLFRF) if the employee, or his or her operating unit or division, is "primarily dedicated" to responding to COVID-19. Primarily dedicated means that more than half of the employee, unit, or division's time is dedicated to responding to COVID-19.

Recipients must periodically reassess their determination and maintain records to support their assessment, although recipients do not need to track staff hours.

3. **Use SLFRF funding for payroll and covered benefits for the portion of eligible staff time spent on COVID-19 response.** SLFRF funding may be used for payroll and covered benefits for the portion of the employees' time spent on COVID-19 response, as calculated above, through the period of performance.

Government Employment and Rehiring Public Sector Staff

Under the increased flexibility of the final rule, SLFRF funding may be used to support a broader set of uses to restore and support public sector employment. Eligible uses include hiring up to a pre-pandemic baseline that is adjusted for historic underinvestment in the public sector, providing additional funds for employees who experienced pay cuts or were furloughed, avoiding layoffs, providing worker retention incentives, and paying for ancillary administrative costs related to hiring, support, and retention.

- **Restoring pre-pandemic employment.** Recipients have two options to restore pre-pandemic employment, depending on the recipient's needs.

  - *If the recipient simply wants to hire back employees for pre-pandemic positions:* Recipients may use SLFRF funds to hire employees for the same positions that existed on January 27, 2020 but that were unfilled or eliminated as of March 3, 2021. Recipients may use SLFRF funds to cover payroll and covered benefits for such positions through the period of performance.

  - *If the recipient wants to hire above the pre-pandemic baseline and/or would like to have flexibility in positions:* Recipients may use SLFRF funds to pay for payroll and covered benefits associated with the recipient increasing its number of budgeted FTEs up to 7.5 percent above its pre-pandemic baseline. Specifically, recipients should undergo the following steps:

    a. Identify the recipient's budgeted FTE level on January 27, 2020. This includes all budgeted positions, filled and unfilled. This is called the *pre-pandemic baseline*.
    b. Multiply the pre-pandemic baseline by 1.075. This is called the *adjusted pre-pandemic baseline*.
    c. Identify the recipient's budgeted FTE level on March 3, 2021, which is the beginning of the period of performance for SLFRF funds. Recipients may, but are not required to, exclude the number of FTEs dedicated to responding to the COVID-19 public health emergency. This is called the *actual number of FTEs*.
    d. Subtract the *actual number of FTEs* from the *adjusted pre-pandemic baseline* to calculate the number of FTEs that can be covered by SLFRF funds. Recipients do not have to hire for the same roles that existed pre-pandemic.

Recipients may use SLFRF funds to cover payroll and covered benefits through the period of performance; these employees must have begun their employment on or after March 3, 2021. Recipients may only use SLFRF funds for additional FTEs hired over the March 3, 2021 level (i.e., the *actual number of FTEs*).

- **Supporting and retaining public sector workers.** Recipients can also use funds in other ways that support the public sector workforce.[10] These include:
    - **Providing additional funding for employees who experienced pay reductions or were furloughed** since the onset of the pandemic, up to the difference in the employee's pay, taking into account unemployment benefits received.
    - **Maintaining current compensation levels to prevent layoffs.** SLFRF funds may be used to maintain current compensation levels, with adjustments for inflation, in order to prevent layoffs that would otherwise be necessary.
    - **Providing worker retention incentives, including reasonable increases in compensation** to persuade employees to remain with the employer as compared to other employment options. Retention incentives must be entirely additive to an employee's regular compensation, narrowly tailored to need, and should not exceed incentives traditionally offered by the recipient or compensation that alternative employers may offer to compete for the employees. Treasury presumes that retention incentives that are less than 25 percent of the rate of base pay for an individual employee or 10 percent for a group or category of employees are reasonably proportional to the need to retain employees, as long as other requirements are met.
- **Covering administrative costs associated with administering the hiring, support, and retention programs above.**

Effective Service Delivery

SLFRF funding may be used to improve the efficacy of public health and economic programs through tools like program evaluation, data, and outreach, as well as to address administrative needs caused or exacerbated by the pandemic. Eligible uses include:

- **Supporting program evaluation, data, and outreach through:**

[10] Recipients should be able to substantiate that these uses of funds are substantially due to the public health emergency or its negative economic impacts (e.g., fiscal pressures on state and local budgets) and respond to its impacts. See the final rule for details on these uses.

- ✓ Program evaluation and evidence resources
- ✓ Data analysis resources to gather, assess, share, and use data
- ✓ Technology infrastructure to improve access to and the user experience of government IT systems, as well as technology improvements to increase public access and delivery of government programs and services
- ✓ Community outreach and engagement activities
- ✓ Capacity building resources to support using data and evidence, including hiring staff, consultants, or technical assistance support

- **Addressing administrative needs, including:**

  - ✓ Administrative costs for programs responding to the public health emergency and its economic impacts, including non-SLFRF and non-federally funded programs
  - ✓ Address administrative needs caused or exacerbated by the pandemic, including addressing backlogs caused by shutdowns, increased repair or maintenance needs, and technology infrastructure to adapt government operations to the pandemic (e.g., video-conferencing software, data and case management systems)

CAPITAL EXPENDITURES

As described above, the final rule clarifies that recipients may use funds for programs, services, and capital expenditures that respond to the public health and negative economic impacts of the pandemic. Any use of funds in this category for a capital expenditure must comply with the capital expenditure requirements, in addition to other standards for uses of funds.

Capital expenditures are subject to the same eligibility standard as other eligible uses to respond to the pandemic's public health and economic impacts; specifically, they must be related and reasonably proportional to the pandemic impact identified and reasonably designed to benefit the impacted population or class.

For ease of administration, the final rule identifies enumerated types of capital expenditures that Treasury has identified as responding to the pandemic's impacts; these are listed in the applicable sub-category of eligible uses (e.g., public health, assistance to households, etc.). Recipients may also identify other responsive capital expenditures. Similar to other eligible uses in the SLFRF program, no pre-approval is required for capital expenditures.

To guide recipients' analysis of whether a capital expenditure meets the eligibility standard, recipients (with the exception of Tribal governments) must complete and meet the requirements of a written justification for capital expenditures equal to or greater than $1 million. For large-scale capital expenditures, which have high costs and may require an extended length of time to complete, as well as most capital expenditures for non-enumerated uses of funds, Treasury requires recipients to submit their written justification as part of regular reporting. Specifically:

<table>
<tr><th>If a project has total capital expenditures of</th><th>and the use is enumerated by Treasury as eligible, then</th><th>and the use is beyond those enumerated by Treasury as eligible, then</th></tr>
<tr><td>Less than $1 million</td><td>No Written Justification required</td><td>No Written Justification required</td></tr>
<tr><td>Greater than or equal to $1 million, but less than $10 million</td><td>Written Justification required but recipients are not required to submit as part of regular reporting to Treasury</td><td rowspan="2">Written Justification required and recipients must submit as part of regular reporting to Treasury</td></tr>
<tr><td>$10 million or more</td><td>Written Justification required and recipients must submit as part of regular reporting to Treasury</td></tr>
</table>

A Written Justification includes:

- *Description of the harm or need to be addressed.* Recipients should provide a description of the specific harm or need to be addressed and why the harm was exacerbated or caused by the public health emergency. Recipients may provide quantitative information on the extent and the type of harm, such as the number of individuals or entities affected.

- *Explanation of why a capital expenditure is appropriate.* For example, recipients should include an explanation of why existing equipment and facilities, or policy changes or additional funding to pertinent programs or services, would be inadequate.
- *Comparison of proposed capital project against at least two alternative capital expenditures and demonstration of why the proposed capital expenditure is superior.* Recipients should consider the effectiveness of the capital expenditure in addressing the harm identified and the expected total cost (including pre-development costs) against at least two alternative capital expenditures.

Where relevant, recipients should consider the alternatives of improving existing capital assets already owned or leasing other capital assets.

Treasury presumes that the following capital projects are generally ineligible:

- ✖ Construction of new correctional facilities as a response to an increase in rate of crime
- ✖ Construction of new congregate facilities to decrease spread of COVID-19 in the facility
- ✖ Construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries

In undertaking capital expenditures, Treasury encourages recipients to adhere to strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions. Treasury also encourages recipients to prioritize in their procurements employers with high labor standards and to prioritize employers without recent violations of federal and state labor and employment laws.

FRAMEWORK FOR ELIGIBLE USES BEYOND THOSE ENUMERATED

As described above, recipients have broad flexibility to identify and respond to other pandemic impacts and serve other populations that experienced pandemic impacts, beyond the enumerated uses and presumed eligible populations. Recipients should undergo the following steps to decide whether their project is eligible:

Step	**1. Identify COVID-19 public health or economic impact**	**2. Design a response that addresses or responds to the impact**
Analysis	• Can identify impact to a specific household, business or nonprofit or to a class of households, businesses or nonprofits (i.e., group) • Can also identify disproportionate impacts, or more severe impacts, to a specific beneficiary or to a class	• Types of responses can include a program, service, or capital expenditure • Response should be related and reasonably proportional to the harm • Response should also be reasonably designed to benefit impacted individual or class

1. **Identify a COVID-19 public health or negative economic impact on an individual or a class.** Recipients should identify an individual or class that is "impacted" or "disproportionately impacted" by the COVID-19 public health emergency or its negative economic impacts as well as the specific impact itself.

    - "Impacted" entities are those impacted by the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency. For example, an individual who lost their job or a small business that saw lower revenue during a period of closure would both have experienced impacts of the pandemic.

    - "Disproportionately impacted" entities are those that experienced disproportionate public health or economic outcomes from the pandemic; Treasury recognizes that pre-existing disparities, in many cases, amplified the impacts of the pandemic, causing more severe impacts in underserved communities. For example, a household living in a neighborhood with limited access to medical care and healthy foods may have faced health disparities before the pandemic, like a higher rate of chronic health conditions, that contributed to more severe health outcomes during the COVID-19 pandemic.

    The recipient may choose to identify these impacts at either the individual level or at a class level. If the recipient is identifying impacts at the individual level, they should retain documentation supporting the impact the individual experienced (e.g., documentation of lost revenues from a small business). Such documentation can be streamlined in many cases (e.g., self-attestation that a household requires food assistance).

    Recipients also have broad flexibility to identify a "class" – or a group of households, small businesses, or nonprofits – that experienced an impact. In these cases, the recipients should first identify the class and the impact that it faced. Then, recipients only need to document that the individuals served fall within that class; recipients do not need to document a specific impact to each individual served. For example, a recipient could identify that restaurants in the downtown area faced substantial declines in revenue due to decreased foot traffic from workers; the recipient could develop a program to respond to the impact on that class and only needs to document that the businesses being served are restaurants in the downtown area.

Recipients should keep the following considerations in mind when designating a class:

- **There should be a relationship between the definition of the class and the proposed response.** Larger and less-specific classes are less likely to have experienced similar harms, which may make it more difficult to design a response that appropriately responds to those harms.
- **Classes may be determined on a population basis or on a geographic basis**, and the response should be appropriately matched. For example, a response might be designed to provide childcare to single parents, regardless of which neighborhood they live in, or a response might provide a park to improve the health of a disproportionately impacted neighborhood.
- **Recipients may designate classes that experienced disproportionate impact**, by assessing the impacts of the pandemic and finding that some populations experienced meaningfully more severe impacts than the general public. To determine these disproportionate impacts, recipients:
    - May designate classes based on academic research or government research publications (such as the citations provided in the supplementary information in the final rule), through analysis of their own data, or through analysis of other existing data sources.
    - May also consider qualitative research and sources to augment their analysis, or when quantitative data is not readily available. Such sources might include resident interviews or feedback from relevant state and local agencies, such as public health departments or social services departments.
    - Should consider the quality of the research, data, and applicability of analysis to their determination in all cases.
- **Some of the enumerated uses may also be appropriate responses to the impacts experienced by other classes of beneficiaries**. It is permissible for recipients to provide these services to other classes, so long as the recipient determines that the response is also appropriate for those groups.
- **Recipients may designate a class based on income level, including at levels higher than the final rule definition of "low- and moderate-income."** For example, a recipient may identify that households in their community with incomes above the final rule threshold for low-income nevertheless experienced disproportionate impacts from the pandemic and provide responsive services.

2. **Design a response that addresses or responds to the impact.** Programs, services, and other interventions must be reasonably designed to benefit the individual or class that experienced

the impact. They must also be related and reasonably proportional to the extent and type of impact experienced. For example, uses that bear no relation or are grossly disproportionate to the type or extent of the impact would not be eligible.

“Reasonably proportional” refers to the scale of the response compared to the scale of the harm, as well as the targeting of the response to beneficiaries compared to the amount of harm they experienced; for example, it may not be reasonably proportional for a cash assistance program to provide a very small amount of aid to a group that experienced severe harm and a much larger amount to a group that experienced relatively little harm. Recipients should consider relevant factors about the harm identified and the response to evaluate whether the response is reasonably proportional. For example, recipients may consider the size of the population impacted and the severity, type, and duration of the impact. Recipients may also consider the efficacy, cost, cost-effectiveness, and time to delivery of the response.

For disproportionately impacted communities, recipients may design interventions that address broader pre-existing disparities that contributed to more severe health and economic outcomes during the pandemic, such as disproportionate gaps in access to health care or pre-existing disparities in educational outcomes that have been exacerbated by the pandemic.

Premium Pay

The Coronavirus State and Local Fiscal Recovery Funds may be used to provide premium pay to eligible workers performing essential work during the pandemic. Premium pay may be awarded to eligible workers up to $13 per hour. Premium pay must be in addition to wages or remuneration (i.e., compensation) the eligible worker otherwise receives. Premium pay may not exceed $25,000 for any single worker during the program.

Recipients should undergo the following steps to provide premium pay to eligible workers.

1. **Identify an "eligible" worker.** Eligible workers include workers "needed to maintain continuity of operations of essential critical infrastructure sectors." These sectors and occupations are eligible:

   - ✓ Health care
   - ✓ Emergency response
   - ✓ Sanitation, disinfection & cleaning
   - ✓ Maintenance
   - ✓ Grocery stores, restaurants, food production, and food delivery
   - ✓ Pharmacy
   - ✓ Biomedical research
   - ✓ Behavioral health
   - ✓ Medical testing and diagnostics
   - ✓ Home and community-based health care or assistance with activities of daily living
   - ✓ Family or child care
   - ✓ Social services
   - ✓ Public health
   - ✓ Mortuary
   - ✓ Critical clinical research, development, and testing necessary for COVID-19 response
   - ✓ State, local, or Tribal government workforce
   - ✓ Workers providing vital services to Tribes
   - ✓ Educational, school nutrition, and other work required to operate a school facility
   - ✓ Laundry
   - ✓ Elections
   - ✓ Solid waste or hazardous materials management, response, and cleanup
   - ✓ Work requiring physical interaction with patients
   - ✓ Dental care
   - ✓ Transportation and warehousing
   - ✓ Hotel and commercial lodging facilities that are used for COVID-19 mitigation and containment

   Beyond this list, the chief executive (or equivalent) of a recipient government may designate additional non-public sectors as critical so long as doing so is necessary to protecting the health and wellbeing of the residents of such jurisdictions.

2. **Verify that the eligible worker performs "essential work,"** meaning work that:

   - Is not performed while teleworking from a residence; and
   - Involves either:
     a. regular, in-person interactions with patients, the public, or coworkers of the individual that is performing the work; or
     b. regular physical handling of items that were handled by, or are to be handled by, patients, the public, or coworkers of the individual that is performing the work.

3. **Confirm that the premium pay "responds to" workers performing essential work during the COVID-19 public health emergency.** Under the final rule, which broadened the share of eligible workers who can receive premium pay without a written justification, recipients may meet this requirement in one of three ways:

    - Eligible worker receiving premium pay is earning (with the premium included) at or below 150 percent of their residing state or county's average annual wage for all occupations, as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, whichever is higher, on an annual basis; or

    - Eligible worker receiving premium pay is not exempt from the Fair Labor Standards Act overtime provisions; or

    - If a worker does not meet either of the above requirements, the recipient must submit written justification to Treasury detailing how the premium pay is otherwise responsive to workers performing essential work during the public health emergency. This may include a description of the essential worker's duties, health, or financial risks faced due to COVID-19, and why the recipient determined that the premium pay was responsive. Treasury anticipates that recipients will easily be able to satisfy the justification requirement for front-line workers, like nurses and hospital staff.

Premium pay may be awarded in installments or lump sums (e.g., monthly, quarterly, etc.) and may be awarded to hourly, part-time, or salaried or non-hourly workers. Premium pay must be paid in addition to wages already received and may be paid retrospectively. A recipient may not use SLFRF to merely reimburse itself for premium pay or hazard pay already received by the worker, and premium pay may not be paid to volunteers.

U.S. DEPARTMENT OF THE TREASURY

Water & Sewer Infrastructure

The Coronavirus State and Local Fiscal Recovery Funds may be used to make necessary investments in water and sewer infrastructure. State, local, and Tribal governments have a tremendous need to address the consequences of deferred maintenance in drinking water systems and removal, management, and treatment of sewage and stormwater, along with additional resiliency measures needed to adapt to climate change.

Recipients may undertake the eligible projects below:

PROJECTS ELIGIBLE UNDER EPA'S CLEAN WATER STATE REVOLVING FUND (CWSRF)

Eligible projects under the CWSRF, and the final rule, include:

- ✓ Construction of publicly owned treatment works
- ✓ Projects pursuant to implementation of a nonpoint source pollution management program established under the Clean Water Act (CWA)
- ✓ Decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage
- ✓ Management and treatment of stormwater or subsurface drainage water
- ✓ Water conservation, efficiency, or reuse measures
- ✓ Development and implementation of a conservation and management plan under the CWA
- ✓ Watershed projects meeting the criteria set forth in the CWA
- ✓ Energy consumption reduction for publicly owned treatment works
- ✓ Reuse or recycling of wastewater, stormwater, or subsurface drainage water
- ✓ Security of publicly owned treatment works

Treasury encourages recipients to review the EPA handbook for the CWSRF for a full list of eligibilities.

PROJECTS ELIGIBLE UNDER EPA'S DRINKING WATER STATE REVOLVING FUND (DWSRF)

Eligible drinking water projects under the DWSRF, and the final rule, include:

- ✓ Facilities to improve drinking water quality
- ✓ Transmission and distribution, including improvements of water pressure or prevention of contamination in infrastructure and lead service line replacements
- ✓ New sources to replace contaminated drinking water or increase drought resilience, including aquifer storage and recovery system for water storage
- ✓ Green infrastructure, including green roofs, rainwater harvesting collection, permeable pavement
- ✓ Storage of drinking water, such as to prevent contaminants or equalize water demands
- ✓ Purchase of water systems and interconnection of systems
- ✓ New community water systems

Treasury encourages recipients to review the EPA handbook for the DWSRF for a full list of eligibilities.

ADDITIONAL ELIGIBLE PROJECTS

With broadened eligibility under the final rule, SLFRF funds may be used to fund additional types of projects— such as additional stormwater infrastructure, residential wells, lead remediation, and certain rehabilitations of dams and reservoirs — beyond the CWSRF and DWSRF, if they are found to be "necessary" according to the definition provided in the final rule and outlined below.

- ✓ Culvert repair, resizing, and removal, replacement of storm sewers, and additional types of stormwater infrastructure
- ✓ Infrastructure to improve access to safe drinking water for individual served by residential wells, including testing initiatives, and treatment/remediation strategies that address contamination
- ✓ Dam and reservoir rehabilitation if primary purpose of dam or reservoir is for drinking water supply and project is necessary for provision of drinking water
- ✓ Broad set of lead remediation projects eligible under EPA grant programs authorized by the Water Infrastructure Improvements for the Nation (WIIN) Act, such as lead testing, installation of corrosion control treatment, lead service line replacement, as well as water quality testing, compliance monitoring, and remediation activities, including replacement of internal plumbing and faucets and fixtures in schools and childcare facilities

A "necessary" investment in infrastructure must be:

(1) responsive to an identified need to achieve or maintain an adequate minimum level of service, which may include a reasonable projection of increased need, whether due to population growth or otherwise,
(2) a cost-effective means for meeting that need, taking into account available alternatives, and
(3) for investments in infrastructure that supply drinking water in order to meet projected population growth, projected to be sustainable over its estimated useful life.

Please note that DWSRF and CWSRF-eligible projects are generally presumed to be necessary investments. Additional eligible projects generally must be responsive to an identified need to achieve or maintain an adequate minimum level of service. Recipients are only required to assess cost-effectiveness of projects for the creation of new drinking water systems, dam and reservoir rehabilitation projects, or projects for the extension of drinking water service to meet population growth needs. Recipients should review the supplementary information to the final rule for more details on requirements applicable to each type of investment.

APPLICABLE STANDARDS & REQUIREMENTS

Treasury encourages recipients to adhere to strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions. Treasury also encourages recipients to prioritize in their procurements employers with high labor standards and to prioritize employers without recent violations of federal and state labor and employment laws.

Broadband Infrastructure

The Coronavirus State and Local Fiscal Recovery Funds may be used to make necessary investments in broadband infrastructure, which has been shown to be critical for work, education, healthcare, and civic participation during the public health emergency. The final rule broadens the set of eligible broadband infrastructure investments that recipients may undertake.

Recipients may pursue investments in broadband infrastructure meeting technical standards detailed below, as well as an expanded set of cybersecurity investments.

BROADBAND INFRASTRUCTURE INVESTMENTS

Recipients should adhere to the following requirements when designing a broadband infrastructure project:

1. **Identify an eligible area for investment.** Recipients are encouraged to prioritize projects that are designed to serve locations without access to reliable wireline 100/20 Mbps broadband service (meaning service that reliably provides 100 Mbps download speed and 20 Mbps upload speed through a wireline connection), but are broadly able to invest in projects designed to provide service to locations with an identified need for additional broadband investment. Recipients have broad flexibility to define need in their community. Examples of need could include:

   - ✓ Lack of access to a reliable high-speed broadband connection
   - ✓ Lack of affordable broadband
   - ✓ Lack of reliable service

   If recipients are considering deploying broadband to locations where there are existing and enforceable federal or state funding commitments for reliable service of at least 100/20 Mbps, recipients must ensure that SLFRF funds are designed to address an identified need for additional broadband investment that is not met by existing federal or state funding commitments. Recipients must also ensure that SLFRF funds will not be used for costs that will be reimbursed by the other federal or state funding streams.

2. **Design project to meet high-speed technical standards.** Recipients are required to design projects to, upon completion, reliably meet or exceed symmetrical 100 Mbps download and upload speeds. In cases where it is not practicable, because of the excessive cost of the project or geography or topography of the area to be served by the project, eligible projects may be designed to reliably meet or exceed 100/20 Mbps and be scalable to a minimum of symmetrical 100 Mbps download and upload speeds.

   Treasury encourages recipients to prioritize investments in fiber-optic infrastructure wherever feasible and to focus on projects that will achieve last-mile connections. Further, Treasury encourages recipients to prioritize support for broadband networks owned, operated by, or affiliated with local governments, nonprofits, and co-operatives.

3. **Require enrollment in a low-income subsidy program.** Recipients must require the service provider for a broadband project that provides service to households to either:

   - ✓ Participate in the FCC's Affordable Connectivity Program (ACP)
   - ✓ Provide access to a broad-based affordability program to low-income consumers that provides benefits commensurate to ACP

   Treasury encourages broadband services to also include at least one low-cost option offered without data usage caps at speeds sufficient for a household with multiple users to simultaneously telework and engage in remote learning. Recipients are also encouraged to consult with the community on affordability needs.

CYBERSECURITY INVESTMENTS

SLFRF may be used for modernization of cybersecurity for existing and new broadband infrastructure, regardless of their speed delivery standards. This includes modernization of hardware and software.

APPLICABLE STANDARDS & REQUIREMENTS

Treasury encourages recipients to adhere to strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions. Treasury also encourages recipients to prioritize in their procurements employers with high labor standards and to prioritize employers without recent violations of federal and state labor and employment laws.

Restrictions on Use

While recipients have considerable flexibility to use Coronavirus State and Local Fiscal Recovery Funds to address the diverse needs of their communities, some restrictions on use of funds apply.

OFFSET A REDUCTION IN NET TAX REVENUE

- **States and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the funds provided have been spent.** If a state or territory cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than SLFRF, such as by enacting policies to raise other sources of revenue, by cutting spending, or through higher revenue due to economic growth. If the funds provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the Treasury.

DEPOSITS INTO PENSION FUNDS

- **No recipients except Tribal governments may use this funding to make a deposit to a pension fund.** Treasury defines a "deposit" as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability. While pension deposits are prohibited, recipients may use funds for routine payroll contributions connected to an eligible use of funds (e.g., for public health and safety staff). Examples of extraordinary payments include ones that:

    - Reduce a liability incurred prior to the start of the COVID-19 public health emergency and occur outside the recipient's regular timing for making the payment
    - Occur at the regular time for pension contributions but is larger than a regular payment would have been

ADDITIONAL RESTRICTIONS AND REQUIREMENTS

Additional restrictions and requirements that apply across all eligible use categories include:

- **No debt service or replenishing financial reserves.** Since SLFRF funds are intended to be used prospectively, recipients may not use SLFRF funds for debt service or replenishing financial reserves (e.g., rainy day funds).

- **No satisfaction of settlements and judgments.** Satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring in a judicial, administrative, or regulatory proceeding is itself not an eligible use. However, if a settlement requires the recipient to provide services or incur other costs that are an eligible use of SLFRF funds, SLFRF may be used for those costs.

- **Additional general restrictions.** SLFRF funds may not be used for a project that conflicts with or contravenes the purpose of the American Rescue Plan Act statute (e.g., uses of funds that undermine COVID-19 mitigation practices in line with CDC guidance and recommendations) and may not be used in violation of the Award Terms and Conditions or conflict of interest requirements under the Uniform Guidance. Other applicable laws and regulations, outside of SLFRF program requirements, may also apply (e.g., laws around procurement, contracting, conflicts-of-interest, environmental standards, or civil rights).

Program Administration

The Coronavirus State and Local Fiscal Recovery Funds final rule details a number of administrative processes and requirements, including on distribution of funds, timeline for use of funds, transfer of funds, treatment of loans, use of funds to meet non-federal match or cost-share requirements, administrative expenses, reporting on use of funds, and remediation and recoupment of funds used for ineligible purposes. This section provides a summary for the most frequently asked questions.

TIMELINE FOR USE OF FUNDS

Under the SLFRF, funds must be used for costs incurred on or after March 3, 2021. Further, costs must be obligated by December 31, 2024, and expended by December 31, 2026.

TRANSFERS

Recipients may undertake projects on their own or through subrecipients, which carry out eligible uses on behalf of a recipient, including pooling funds with other recipients or blending and braiding SLFRF funds with other sources of funds. Localities may also transfer their funds to the state through section 603(c)(4), which will decrease the locality's award and increase the state award amounts.

LOANS

Recipients may generally use SLFRF funds to provide loans for uses that are otherwise eligible, although there are special rules about how recipients should track program income depending on the length of the loan. Recipients should consult the final rule if they seek to utilize these provisions.

NON-FEDERAL MATCH OR COST-SHARE REQUIREMENTS

Funds available under the "revenue loss" eligible use category (sections 602(c)(1)(C) and 603(c)(1)(C) of the Social Security Act) generally may be used to meet the non-federal cost-share or matching requirements of other federal programs. However, note that SLFRF funds may not be used as the non-federal share for purposes of a state's Medicaid and CHIP programs because the Office of Management and Budget has approved a waiver as requested by the Centers for Medicare & Medicaid Services pursuant to 2 CFR 200.102 of the Uniform Guidance and related regulations.

SLFRF funds beyond those that are available under the revenue loss eligible use category may not be used to meet the non-federal match or cost-share requirements of other federal programs, other than as specifically provided for by statute. As an example, the Infrastructure Investment and Jobs Act provides that SLFRF funds may be used to meet the non-federal match requirements of authorized Bureau of Reclamation projects and certain broadband deployment projects. Recipients should consult the final rule for further details if they seek to utilize SLFRF funds as a match for these projects.

ADMINISTRATIVE EXPENSES

SLFRF funds may be used for direct and indirect administrative expenses involved in administering the program. For details on permissible direct and indirect administrative costs, recipients should refer to Treasury's Compliance and Reporting Guidance. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

REPORTING, COMPLIANCE & RECOUPMENT

Recipients are required to comply with Treasury's Compliance and Reporting Guidance, which includes submitting mandatory periodic reports to Treasury.

Funds used in violation of the final rule are subject to remediation and recoupment. As outlined in the final rule, Treasury may identify funds used in violation through reporting or other sources. Recipients will be provided with an initial written notice of recoupment with an opportunity to submit a request for reconsideration before Treasury provides a final notice of recoupment. If the recipient receives an initial notice of recoupment and does not submit a request for reconsideration, the initial notice will be deemed the final notice. Treasury may pursue other forms of remediation and monitoring in conjunction with, or as an alternative to, recoupment.

Reminder: Four Key Eligible Use Categories

The American Rescue Plan provides four major categories of eligible uses to tackle the broad range of public health and economic challenges caused or exacerbated by the COVID-19 emergency.

1 Public Sector Revenues

- Providing government services up to the amount of revenue loss due to the pandemic

2 Public Health & Economic Response

- Responding to COVID-19's public health impact, along with its economic harms

3 Premium Pay for Essential Workers

- Offering additional support to workers who bear the greatest health risks because of their service in critical sectors

4 Water, Sewer & Broadband Infrastructure

- Providing funding to critical water and sewer projects, along with high-speed broadband infrastructure

Recipients have requested greater flexibility, simplicity & clarity in the final rule to respond to new pandemic needs and make transformative investments

Approach to the Final Rule

Treasury's final rule provides greater flexibility and simplicity for recipients to turn the tide on the pandemic, maintain vital public services amid revenue shortfalls, and build a strong, resilient, and equitable recovery.

KEY NEW FEATURES IN THE FINAL RULE

1 Public Sector Revenues

- Major simplification for thousands of recipients through the **$10 million revenue loss standard allowance**

2 Public Health & Economic Response

- Providing a **broader set of eligible uses** for impacted and disproportionately impacted populations
- Clarifying that reasonably proportional **capital expenditures** may be allowable (e.g., affordable housing, hospitals)

3 Premium Pay for Essential Workers

- **Streamlining options to provide premium pay** by broadening the share of essential workers who can receive premium pay without a written justification

4 Water, Sewer & Broadband Infrastructure

- **Expanding water and sewer projects** that are eligible
- **Broadening eligible broadband investments** to allow recipients to address access, affordability & reliability challenges

Replace Public Sector Revenue Loss

1 Public Sector Revenues

Recipients may use these funds to provide government services, up to the amount of revenue loss experienced due to the COVID-19 public health emergency.

1 Determine revenue loss, using one of two available options:

- A **Elect "standard allowance" of up to $10 million** to spend on government services through the life of the program, which greatly simplifies the program for small localities NEW
- B **Calculate actual revenue loss** according to Treasury formula
  - » Calculate revenue loss either on a calendar or fiscal year basis NEW
  - » Must adjust actual revenue totals for the effect of tax cuts and tax increases that are adopted after January 6, 2022, to more accurately reflect revenue loss due to the pandemic NEW

2 Spend on government services up to the revenue loss amount

– Government services generally include **any service traditionally provided by a government** unless Treasury has stated otherwise, such as:

- ✓ Construction of schools and hospitals
- ✓ Road building and maintenance, and other infrastructure
- ✓ Health and other services
- ✓ Environmental remediation
- ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

Respond to COVID-19's Public Health and Economic Impacts

Recipients may use these funds to respond to a broad range of public health and economic impacts of the pandemic for households, communities, businesses, and the public sector.

1 Eligible Use Categories

- Public health impacts
- Negative economic impacts, including assistance to:
  - ✓ Households
  - ✓ Small businesses
  - ✓ Non-profits
  - ✓ Impacted industries
  - ✓ Public sector capacity and workforce

2 Determining Eligible Uses

- To identify eligible uses of funds, recipients should generally:
  1. Identify a public health or economic impact to an individual or a class
  2. Design a related and reasonably proportional response (e.g., a program, service, or capital expenditure)
- For convenience, Treasury has provided a non-exhaustive list of eligible uses and populations presumed eligible to receive these services
- Recipients may identify additional eligible uses beyond those enumerated by Treasury based on the standards provided in the rule

Support the Public Health Response

Recipients may use these funds to support their COVID-19 public health response.

1 COVID-19 Mitigation & Containment

- **A very broad range of services and programming that are needed to contain COVID-19, including vaccination and testing programs and other COVID mitigation tactics**
- May include certain capital expenditures, such as medical facilities generally dedicated to COVID-19 treatment & mitigation

2 Medical Expenses

- **Expenses to households, medical providers, or others that incurred medical costs due to the pandemic**
- Includes unreimbursed expenses for COVID-19 testing or treatment & emergency medical response expenses

3 Behavioral Healthcare

- **A broad range of prevention, treatment, harm reduction, and recovery services that may be needed to meet mental health, substance use, and other behavioral health needs**
- May include certain capital expenditures, such as behavioral health facilities & equipment

4 Preventing & Responding to Violence

- **Responses to communities that experienced an increase in violence, particularly gun violence**
- Includes community violence intervention programs & enforcement efforts to reduce gun violence

Provide Assistance to Households

2 Public Health and Economic Response

Recipients may use these funds to respond to the negative economic impacts of the COVID-19 public health emergency on households and communities.

Impacted Households

Impacted households are those that have experienced an impact from the COVID-19 pandemic.

Treasury presumes that the following households are impacted:

- ✓ Low- and- moderate income (LMI) households, defined as those at or below 300% of FPG or 65% of AMI
- ✓ Households experiencing unemployment or food or housing insecurity
- ✓ Households that qualify for certain federal programs NEW

Disproportionately Impacted Households

Disproportionately impacted households are those that have experienced a disproportionate impact from the COVID-19 pandemic.

Treasury presumes that the following households are disproportionately impacted:

- ✓ Low income (LI) households, defined as those at or below 185% of FPG or 40% of AMI NEW
- ✓ Households located in QCTs
- ✓ Households receiving services from Tribal govs
- ✓ Households residing in the U.S. territories or receiving services from territorial governments NEW
- ✓ Households that qualify for certain fed programs NEW

Recipients can identify other impacted or disproportionately impacted households, beyond those presumed eligible

Provide Assistance to Households

2 Public Health and Economic Response

Recipients may use these funds to respond to the negative economic impacts of the COVID-19 public health emergency on households and communities.

Impacted Households

All impacted households, including households presumed impacted by Treasury, are eligible for uses that respond to the impact.

Over a dozen eligible uses, including:

- ✓ Food assistance
- ✓ Re-employment and job training
- ✓ Rent, mortgage, or utility assistance & Internet subsidies
- ✓ Cash assistance
- ✓ Health insurance NEW coverage expansion and paid sick & family leave
- ✓ Financial services for unbanked and underbanked NEW
- ✓ Affordable housing development and permanent supportive housing NEW
- ✓ Childcare, early learning, and addressing learning loss for K-12 students NEW

Disproportionately Impacted Households

All disproportionately impacted households, including households presumed disproportionately impacted by Treasury, are eligible for uses that respond to the impact & the disparities that led to the disproportionate impact.

Many additional eligible uses, including:

- ✓ Addressing health disparities: e.g., community health workers, lead remediation, health facilities
- ✓ Investments in neighborhoods to promote health outcomes
- ✓ Addressing educational disparities: e.g., enhanced funding to high-poverty schools & educational facilities
- ✓ Improvements to vacant and abandoned property NEW

Provide Assistance to Small Businesses

Recipients may use these funds to respond to the negative economic impacts of the COVID-19 public health emergency on small businesses.

Impacted Small Businesses

- ✓ **To assess which small businesses were impacted,** recipients may consider:
  - ✓ Decreased revenue or gross receipts
  - ✓ Financial insecurity
  - ✓ Increased costs NEW
  - ✓ And more
- ✓ **Eligible uses include:**
  - ✓ Loans or grants to mitigate financial hardship, such as by supporting payroll and benefits
  - ✓ Technical assistance, counseling or other services to support business planning

Disproportionately Impacted Small Businesses

- ✓ **SB presumed disproportionately impacted:**
  - ✓ Operating in QCTs
  - ✓ Operated by Tribal governments or on Tribal lands
  - ✓ Operating in the U.S. territories NEW
- ✓ **Eligible uses include:** NEW
  - ✓ Rehabilitation of commercial properties, storefront & façade improvements
  - ✓ Technical assistance, business incubators & grants for start-up or expansions
  - ✓ Support for microbusinesses (e.g., childcare, transportation)

Provide Assistance to Non-Profits

Recipients may use these funds to respond to the negative economic impacts of the COVID-19 public health emergency on non-profits.

Impacted Non-Profits

- ✓ **To assess which nonprofits were impacted,** recipients may consider:
  - ✓ Decreased revenue (e.g., lower donations or fees)
  - ✓ Financial insecurity
  - ✓ Increased costs (e.g., uncompensated increases in service need) NEW
  - ✓ And more
- ✓ **Eligible uses include :**
  - ✓ Loans or grants to mitigate financial hardship
  - ✓ Technical or in-kind assistance or other services to mitigate negative economic impact

Disproportionately Impacted Non-Profits

- ✓ **Non-profits presumed disproportionately impacted:**
  - ✓ Operating in QCTs
  - ✓ Operated by Tribal governments or on Tribal lands
  - ✓ Operating in the U.S. territories NEW
- ✓ **Eligible uses include:**
  - ✓ Responses that are related and reasonably proportional to addressing disparities that led to disproportionate impacts

Provide Aid to Impacted Industries

Recipients may use these funds to provide aid to impacted industries.

1 Designating an impacted industry

- If industry is in the **travel, tourism, or hospitality sectors** (including Tribal development districts), the industry is impacted.
- If industry is **outside the sectors above**, the industry is impacted if it either:
  - Experienced **at least 8 percent employment loss** from pre-pandemic levels, or NEW
  - Is experiencing **comparable or worse economic impacts** as the national travel, tourism, and hospitality sectors as of the date of the Final Rule and the impacts resulted from the COVID-19 public health emergency

2 Provide eligible aid to the impacted industry

- Many eligible uses, including:
  - ✓ Aid to mitigate financial hardship, such as supporting payroll costs
  - ✓ COVID-19 mitigation and infection prevention measures
  - ✓ Technical assistance, counseling or other services to support business planning
- Aid limited to entities operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic

Restore and Bolster Public Sector Capacity

Recipients may use these funds to restore and bolster public sector capacity, which supports governments' ability to deliver critical COVID-19 services.

1 Public safety, public health, and human services staff

- Payroll and covered benefits for public safety, public health, health care, human services and similar employees of a recipient government through the period of performance
- Limited to the portion of the employee's time spent responding to COVID-19, though public health and safety staff primarily dedicated to COVID-19 response may be fully covered; recipients can use reasonable estimates to determine share of employee time

2 Government employment & rehiring public sector staff

- ✓ Restoring employment by hiring up to 7.5% above pre-pandemic baseline
- ✓ Funding for employees who experienced pay reductions or were furloughed NEW
- ✓ Maintaining current compensation levels to prevent layoffs NEW
- ✓ Worker retention incentives, including reasonable increases in compensation NEW

3 Effective service delivery

- ✓ Supporting use of evidence, program evaluation, data, and outreach
- ✓ Providing administrative expenses for administration of programs that respond to COVID-19
- ✓ Address administrative needs caused or exacerbated by the pandemic (e.g., backlogs from pandemic shutdowns, adapting government operations to the pandemic)

Invest in Capital Expenditures

2 Public Health and Economic Response

The final rule provides clarity for recipients to use SLFRF funds to invest in capital expenditures as part of their public health or economic response.

1 Overall eligibility requirements

- Capital expenditures subject to same "related and reasonably proportional" standard as other uses
- Recipients other than Tribal governments must complete Written Justification (WJ) for capital expenditures at or over $1 million NEW
  - WJ requires recipients to explain why a capital expenditure is appropriate and why the proposed capital expenditure is superior to alternatives
  - Depending on project size, recipients may be required to submit WJ with reporting; no pre-approval

2 Presumptions for capital expenditures

Projects presumed eligible, provided the above requirements are met:

- ✓ Testing labs and equipment
- ✓ Emergency operations center & equipment
- ✓ Affordable housing
- ✓ Childcare facilities
- ✓ Schools (for Disproportionately Impacted communities)
- ✓ Primary care health clinics and hospitals (for Disproportionately Impacted communities)

Projects generally presumed to be ineligible:

- × Construction of new correctional facilities as a response to an increase in rate of crime
- × Construction of new congregate facilities to decrease spread of COVID-19 in facility
- × Construction of convention centers, stadiums or other large capital projects for general economic development or aid to impacted industries

2 Public Health and Economic Response

Invest in Eligible Uses Beyond Those Enumerated

Recipients may use these funds to invest in eligible uses beyond those specifically listed as eligible by Treasury.

	1	2
Step:	**Identify COVID-19 public health or economic impact**	**Design a response to address the identified impact**
Analysis:	• Can identify impact to a specific household, business or non-profit – or to a class (e.g., group) • Can also identify disproportionate impacts, or more severe impacts, to a specific beneficiary or to a class	• Response should be related and reasonably proportional to the harm • Response should also be reasonably designed to benefit impacted individual or class

Provide Premium Pay for Essential Employees

Recipients may use this funding to provide premium pay to eligible workers performing essential work, either in public sector roles or through grants to third-party employers.

1. Eligible workers are those in critical infrastructure sectors
2. Essential work involves regular in-person interactions or physical handling of items handled by others
3. Pay must respond to worker needs:
   - Serves workers who:
     - Earn at or below 150 percent of their state or county's average annual wage, or
     - Are not exempt from Fair Labor Standards Act overtime rules NEW
   - Or recipient provides written justification of how it meets needs

Example professions and sectors eligible:

- ✓ Staff at nursing homes, hospitals, and home-care settings
- ✓ Public health, safety, and emergency response
- ✓ State, local, and Tribal government workforce
- ✓ Workers at food production facilities, grocery stores, restaurants, and food delivery services
- ✓ Janitors and sanitation workers
- ✓ Truck drivers, transit staff, and warehouse workers
- ✓ Public health and safety staff
- ✓ Childcare workers, educators, and school staff
- ✓ Social service and human services staff
- ✓ Additional sectors designated by recipients

Pay can be flexibly awarded up to $13 per hour in installments or lump sums to hourly, part time, or salaried/non-hourly workers, and may not exceed $25,000 for any single worker during the program

Build Water and Sewer Infrastructure

Recipients may use these funds to make a broad range of necessary investments in water and sewer infrastructure.

1 Projects eligible under the EPA's State Revolving Funds, including:

Examples of Clean Water State Revolving Fund Projects

- ✓ Construction of publicly owned treatment works
- ✓ Decentralized wastewater treatment systems construction, upgrades & repair
- ✓ Management & treatment of stormwater or subsurface drainage water
- ✓ Water conservation, efficiency, or reuse measures
- ✓ Reuse or recycling of wastewater, stormwater, or subsurface drainage water

Examples of Drinking Water State Revolving Fund Projects

- ✓ New facilities to improve drinking water quality
- ✓ New sources to replace contaminated drinking water or increase drought resilience
- ✓ Green infrastructure
- ✓ Storage of drinking water
- ✓ New community water systems
- ✓ Lead service line replacement

2 Additional projects eligible under Final Rule include: NEW

- ✓ Broad suite of additional lead remediation activities, including lead testing and lead service line replacement (including replacement of faucets, fixtures, and internal plumbing in schools and childcare facilities)
- ✓ Additional stormwater infrastructure, including culvert repair, resizing and removal, and replacement of storm sewers
- ✓ Residential wells
- ✓ Certain dam and reservoir rehabilitation

Build Broadband Infrastructure

Recipients may use these funds to make a broad range of necessary investments in broadband infrastructure, in order to meet access, affordability, and other challenges.

1 Identify an eligible area for investment

- Recipients are encouraged to invest in locations without reliable wireline service of at least 100/20 Mbps speed, but are broadly able to invest in locations where recipient has identified need for additional investment NEW
- Such need can include lack of access to high speeds, affordability & reliability

2 Design project to meet high-speed technical standards

- Deliver reliable high-speed service of minimum 100 Mbps symmetrical speeds unless impracticable

3 Require enrollment in a low-income subsidy program NEW

- Recipients must require service providers for a broadband project that provides service to households to either:
  - ✓ Participate in the FCC's Affordable Connectivity Program
  - ✓ Provide access to a broad-based, low-income affordability program commensurate to the Affordable Connectivity Program

Flexibility in eligible areas for investment complements IIJA broadband funding; recipients are also able to invest in cybersecurity for broadband infrastructure regardless of service delivery standards

Restrictions on Use

The final rule maintains the IFR's restrictions on use with additional clarifications.

1 Net Reduction in Tax Revenue

For states and territories:

- SLFRF may not be used to directly or indirectly offset a reduction in net tax revenue resulting from a change in state or territory law, as required by the American Rescue Plan

2 Deposits into Pension Funds

For all recipients except for Tribal governments:

- SLFRF may not be used for deposits into pension funds, as required by the American Rescue Plan
- A "deposit" is defined as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability
- Recipients may use funds for routine payroll contributions to pensions of employees whose wages and salaries are an eligible use

3 Other Restrictions on Use

For all recipients:

- Funds may not be used for debt service, replenishing rainy day funds/financial reserves, or satisfaction of a settlement or judgment
- Uses of funds may not undermine COVID-19 mitigation practices in line with CDC guidance and recommendations
- Uses of funds may not violate Uniform Guidance conflict-of-interest requirements or other applicable laws

TOWN OF CHAPEL HILL

Town Hall
405 Martin Luther King Jr. Boulevard
Chapel Hill, NC 27514

Item Overview

Item #: 3., **File #:** [22-0085], **Version:** 1 **Meeting Date:** 2/2/2022

Discuss Redevelopment Options for the Police Station Property at 828 Martin Luther King Jr., Boulevard.

Staff:
Mary Jane Nirdlinger, Deputy Town Manager
Laura Selmer, Economic Development Specialist

Department:
Manager's Office

Overview: The purpose of this item is to provide Council an opportunity for continued discussion of key issues related to a Memorandum of Understanding (MOU) with the Belmont-Sayre development team (Belmont) for the redevelopment of the police station property. This property presents an opportunity to combine two ongoing efforts: a site for the Municipal Services Center (MSC); and the remediation and reuse of the current police station property.

Decision Points:
- Pursue a public/private partnership with Belmont Sayre
- Consider financial information regarding site redevelopment.

Key Issues:
- Redevelopment costs

Where is this item in its process?

Staff presentation of Draft MOU → **Review Site Redevelpment Data** → Consider Authorizing a MOU

Attachments:

- January 28, 2022 BelmontSayre Memorandum
- Multi-Family ADU-AMI Pro Forma Matrix
- MSC Preliminary Budget
- MSC Parking Analysis Table
- MSC/MF Combined Matrix
- Revised Land Use Scenarios for 828MLK
- Site Analysis Summary 2022

Item #: 3., **File #:** [22-0085], **Version:** 1 **Meeting Date:** 2/2/2022

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Laura Selmer, Economic Development Specialist

The purpose of this item is to provide Council an opportunity for continued discussion of key issues related to a Memorandum of Understanding (MOU) with the Belmont-Sayre development team (Belmont) for the redevelopment of the police station property.

Memorandum

To: Town of Chapel Hill

From: Kenneth Reiter – Belmont Sayre

Mark Moshier – Legacy Real Property Group

John Gallagher – Aptus Management

Date: January 28, 2022

Re: 828 MLK – Police Station Redevelopment

The Town of Chapel Hill needs a new police headquarters and space for other municipal services to be housed in a new Municipal Services Center (MSC). The 828 MLK property, home to the existing police headquarters, we believe, is a viable site for the MSC. The Town budget plan for the MSC, to be funded with general obligation bonds, is currently $34M. The estimated development costs for the MSC at 828 MLK could exceed $34M due to added costs for brownfields cleanup, parking and involved site improvements. However, private development at 828 MLK, depending on density, can offset these additional costs.

The process we have been following since the completion of the RFQ process is centered on Council's input on redevelopment options for 828 MLK:

- Option 1 - MSC Only
- Option 2 - MSC + Private Development, to offset costs
- Option 3 - No Development - but remediate/mitigate 828 MLK

The following information provides additional context to help guide that decision process and is based on the information discussed at the January 26th Town of Chapel Hill Council session:

- **Redevelopment Scenarios and Financial Analysis** – this section provides additional details and background information on the process and information that was utilized to develop the information in the 2 slides presented by Belmont Sayre at the January 26, 2022, Council Meeting.
- **Comments from January 26, 2022, Town of Chapel Hill Council Meeting** – this section is based on our review of the question and comments received from Council members and the public. While it is not a comprehensive, we selected those comments that we believe need to be discussed in the work session as they relate to the process for arriving at decisions and understand the accompanying financial and programmatic impacts.

Redevelopment Scenarios and Financial Analysis

Based on Town-commissioned risk assessments and site analysis, and presentations made by NC DEQ to Council, we believe that the site can be made safe for redevelopment, and we are ready to partner with you to do so.

P.O. Box 1622
Carrboro, NC 27510
919.885.4508 (office)

Development Scenarios
The first slide highlights the costs and benefits of the different uses that could be considered in the project. We provide an overview of our opinion of those options. As a partner, we have been, and will be open to exploring all options. The Town has commissioned a third-party site market analysis with a review of muti-family, commercial office, and retail to review viability of uses.

Financial Analysis
There are many options to consider and helping you better understand what happens when you make certain decisions is our goal. We have started to refer to this as "what happens when you pull certain toggles". We have built lengthy workbooks that include different forms of analysis for residential, office and retail. In our attempt to be simplify the presentation, our second slide presented a basic "Private Development" scenario to compare with the Options of "No Development" or "MSC Only".

This second slide is intended to show potential cost differences with various uses/programs, however, we to only provide one scenario "MSC + Private Development " for ease of presentation. Under that one scenario, we also compared a "No Development" and "MSC Only". We have now included an additional "Option" that includes commercial development.

Parking
Assumptions related to the size and cost and sharing of parking are primarily driven by the most-recent MSC programming. We also anticipate that the MSC would be able to share some parking with private development. During the work session, we will share the cost and benefits of various parking options (ratios, construction, costs etc.) as well as a spreadsheet comparing various parking options, including costs.

The proposed parking would serve the MSC staff and visitors, resident parking, should housing proceed, and could be used as parking for events and programming if the Town proceeds with building a programmable outdoor event space on the site. 450 spaces represent a reduced number based on a shared parking model (alternating use times between daytime workers and evening parking residents).

This site is also an opportunity to promote multimodal transportation options given the existing bus route, future BRT, and greenway proximity. Building housing along the proposed BRT corridor is important in making BRT function optimally.

These worksheets and the support materials will be reviewed in detail at the work session to better understand the relative tradeoffs as we make assess the myriad of project features.

Review of Comments from January 26, 2022, Town of Chapel Hill Council Meeting

We believe the questions and comments received from Councilmembers and the public from the meeting on January 26th can be organized as follow to allow for efficient analysis and discussion as part of our upcoming work session:

Process and Decision-Making Process
- Ensure timely delivery of information for review
- Provide summary of prior work products

828 MLK – Police Station Redevelopment

Discussion of Market and Impact on Mixture of Uses

- Clarify that all options are still available - no final decision have been made
- Need to review how uses/components impact project scope, schedule and budget and impact – "look at toggles". This analysis will include a variety of housing and types of uses, including age restricted housing
- Townhome vs condominium viability

Existing Finances & Budget

- Need analysis of the residual value of the land under various scenarios
- Explain cost-sharing models, assumption, and calculations
- Assess viability of condominium financing
- Clarify whether costs for police relocation are included in project budget
- Show property tax benefit over 20 years – show Net Present Value (NPV)
- NPV of lease payments for parking – use same 20 years period as property tax benefit

Parking

- Better understand parking fixed costs and operation costs
- Need number of parking spaces at existing location
- Is structure parking really needed, or how much surface parking can be programmed?
- Operating costs - if MSC only, is structured parking really needed?

Urban Design & Features

- TOD / BRT – urban design reduces reliance on automobile, enhance transit usage
- Opportunity to make more impact than just MSC and residential
- Preservation of existing structures
- Connection Bolin Creek Trail to enhance experience

<u>Conclusion</u>

We are confident that this site can be made safe for redevelopment and are ready to partner with you to do so. Thank you for your time and consideration for reviewing these materials. We look forward to the work session next week. Please let us know if you have any questions before then as we are available to discuss these matters at your convenience.

828 MLK - Private Development Scenarios

1/17/2022

ASSUMPTIONS

12

Affordable Housing Calculations

		Annual		Housing Burden	Annual	Monthly	Utilities	Net Rent	$ Rent / SF
120% AMI	120%	$103,920.00		30%	$31,176.00	$2,598.00	$300	$2,298.00	$2.63
100% AMI	100%	$86,600.00		30%	$25,980.00	$2,165.00	$300	$1,865.00	$2.13
Median Household Income		**$86,600.00**	875	30%	**$25,980.00**				
80% AMI	80%	$69,280.00		30%	$20,784.00	$1,732.00	$300	$1,432.00	$1.64
60% AMI	60%	$51,960.00		30%	$15,588.00	$1,299.00	$300	$999.00	$1.14
30% AMI	30%	$25,980.00		30%	$7,794.00	$649.50	$300	$349.50	$0.40
Work Force 1	106%	$92,150.00		30%	$27,645.00	$2,303.75	$300	$2,003.75	$2.29
Work Force 2	107%	$92,500.00		30%	$27,750.00	$2,312.50	$300	$2,012.50	$2.30
Work Force 3	111%	$96,000.00		30%	$28,800.00	$2,400.00	$300	$2,100.00	$2.40

Construction & Parking Expenses

Multi Family Construction Cost	$175,000	*per unit*				
Parking Deck Construction Cost	$20,000	*per space*	450 *spaces*	*(unless noted)*	TOTAL	$9,000,000
Lease Spaces to MF @	$125	*per space*	*per month*			

Housing Scenarios - Pro Forma Summary

	Unit Count - % of Total ADU Units - % of AMI									
	150 Multi-Family UNITS			***200 Multi-Family UNITS***			***250 Multi-Family UNITS***			
Pro Forma Results	150-100%-111%	150-15%-80%	150-30%-60%	200-100%-107%	200-15%-80%	200-30%-60%	250-100%-106%	250-15%-80%	250-30%-60%	250-30%-30%
	Work Force 3	*80% AMI*	*60% AMI*	*Work Force 2*	*80% AMI*	*60% AMI*	*Work Force 1*	*80% AMI*	*60% AMI*	*30% AMI*
UNITS	**150**	**150**	**150**	**200**	**200**	**200**	**250**	**250**	**250**	**250**
% ADU	0%	15%	30%	0%	15%	30%	0%	15%	30%	30%
% AMI	111%	80%	60%	107%	80%	60%	106%	80%	60%	30%
MF Sq. Ft.	146,550	146,550	146,550	195,400	195,400	195,400	244,250	244,250	244,250	244,250
Shared Cost	53%	53%	53%	58%	58%	58%	63%	63%	63%	63%
Land Value	$0	$0	$0	$1,000,000	$1,000,000	$1,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000
Annual Subsidy	$0	$150,000	$600,000	$0	$0	$550,000	$0	$0	$700,000	$1,300,000
MF Vacancy	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
FINANCING										
Int. Rate	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Debt Coverage	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.21	1.21	1.20
Loan to Cost	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Loan to Value	0.72	0.73	0.72	0.73	0.72	0.72	0.72	0.72	0.72	0.72
Return on Cost	6.09%	6.05%	6.09%	6.07%	6.09%	6.09%	6.08%	6.13%	6.12%	6.08%
Return on Equity	5.16%	4.99%	5.18%	5.06%	5.16%	5.14%	5.10%	5.35%	5.29%	5.12%
ADJUSTMENTS:										
Land Value:		($2,200,000)	($2,200,000)			$0			$0	
Annual Subsidy:		$0	$450,000			$460,000			$375,000	

Project Worksheets | **828 MLK** | **Building A** | **MSC**

Legacy Real Property Group

Development Costs - Budget w SHARED COSTS

Source:	17-Jan-22	**Type:**	MSC - Office	80,000	GBA
	Legacy Real Property Group		Private Dev.	200	MF UNITS
			Shared Costs:	0.42	%

Building Assumptions			Land Assumptions		
MSC	**80,000**	*Sq. Ft.*	Land Area 1	4	*acres*
Heated Sq. Ft.	**80,000**	*Sq. Ft.*	Land Area 2	1	*acres*
Leasable Sq. Ft.	**80,000**	*Sq. Ft.*	Total Land Area	**5.00**	*acres*
Garage	**0**	*Sq. Ft.*	Total Land Area	**217,800**	*Sq. Ft.*
TOTAL Building + Garage		*Gross Sq. Ft.*	Area 1 Cost	**$1,029,780**	
Sitework / Brownfields	**$5,000,000**	*TOTAL*	Area 2 Cost		
MSC Sitework	**$10.00**	*Gross Sq. Ft.*	Land Cost	**$4.73**	*Sq. Ft.*
MSC Vertical Construction	**$320.00**	*Heated Sq. Ft.*	Building FAR	**$12.87**	*GBA*
	$0.00	*Leasable Sq. Ft.*	Out Parcel Sales	**$0**	*per acre*
	$0.00	*Leasable Sq. Ft.*	Out Parcel Land	**0.00**	*acres*
Owner's Contingency	**$12.84**	*Gross Sq. Ft.*	Out Parcel Total	**$0**	
Landscaping	**$0.25**	*Gross Sq. Ft.*	Final Bldg. FAR	**$12.87**	*Leasable Sq. Ft.*
MSC Shared Brownfields	$2,100,000		Initial Sale	**$0**	
MSC Shared Soft Cost Total	$1,207,500				

Estimated Construction Budget — **0.42** ***Shared Cost Percentage***

			Total Cost	**Total Cost**	$ / Sq. Ft.
Pre-Acquisition	0.42		$700,000	**$294,000**	$3.68
Land Acquisition					
Land Cost:				**$0**	
Total Land Cost				**$0**	$0.00
Pre-Con Expenses	0.42		$600,000	**$252,000**	$3.15
precon,dd,consultants,zoning					
Hard Costs					
Sitework:	0.42		$5,000,000	**$2,100,000**	
Parking Deck				**$0**	
MSC Sitework				**$800,000**	
MSC Vertical - Building A				**$25,600,000**	
Total Hard Cost				**$28,500,000**	$356.25
Design Costs					
Arch. Design:	Rate:	$3.00 psf		**$240,000**	
MEP Engineering:	Rate:	$3.00 psf		**$240,000**	
LP/Site Engineering:	0.42		$525,000	**$220,500**	
Total Design Costs				**$700,500**	$8.76
Development Soft Costs					
Legal (Site/Env.)	0.42		$300,000	**$126,000**	
Sitework Contingency	0.42	15%	$750,000	**$315,000**	
Building A Contingency		2.5%		**$712,500**	
Builders Risk Ins.		.7/100		**$184,800**	
Legal (non env.)				**$250,000**	
Permits & Fees				**$900,000**	
Total DSC				**$2,488,300**	$31.10
Soft Costs					
PD Relocation Allowance				**$1,000,000**	
PM & CM				**$750,000**	
Development OH&P		7.5%		**$2,190,038**	
Acct & Debt Fees				**$875,000**	
Construction Interest				**$488,360**	
Total Soft Cost				**$5,303,398**	$66.29

Estimated Project Totals w Shared Costs

Total Pre-Acquisition Expense	**$294,000**	
Total Land Acquisition	**$0**	
Total Pre-Con Expense	**$252,000**	
Total Hard Cost	**$28,500,000**	
Total Design Cost	**$700,500**	
Total Development Soft Cost	**$2,488,300**	
Total Soft Cost	**$5,303,398**	
Total Construction Cost	**$37,538,198**	$469.24

828 MLK — **Bldg A**

MSC Budget Detail

MSC - Office	80,000	GBA
Private Dev.	200	MF UNITS
Shared Costs:	0.42	%

Assumptions

MSC Budget	$34,000,000

PROJECT TOTAL SHARED COSTS

Brownfields Related Expenses	
$5,000,000	Total Shared Brownfields Cost
$2,875,000	Total Shared Soft Cost
$7,875,000	Total Shared Costs

MSC PERCENTAGE OF SHARED COSTS

Brownfields Related Expenses	
$2,100,000	MSC Shared Brownfields
$1,207,500	MSC Shared Soft Cost Total
$3,307,500	**Total MSC Shared Costs**

MSC FIXED COSTS

Hard Costs	
$800,000	MSC Sitework
$25,600,000	MSC Vertical - Building A
Soft Costs +	
$240,000	Arch. Design:
$240,000	MEP Engineering:
$712,500	Building A Contingency
$184,800	Builders Risk Ins.
$250,000	Legal (non env.)
$900,000	Permits & Fees
$1,000,000	PD Relocation Allowance
$750,000	PM & CM
$2,190,038	Development OH&P
$875,000	Acct & Debt Fees
$488,360	Construction Interest
$0	FF&E Allowance
$34,230,698	**TOTAL MSC Fixed Cost**

Estimated Project Totals w Shared Costs

$3,307,500	**Total MSC Shared Costs**
$34,230,698	**TOTAL MSC Fixed Cost**
$37,538,198	

828 MLK - MSC PARKING ANALYSIS

1/27/2022

ASSUMPTIONS

ITEM	COST (per space)	SIZE (Sq. Ft.)
Multi-Level Parking	$20,000	330
Table Top Parking	$16,875	320
Surface Parking	$6,000	310
Acre	43560	

			3			2			1		
MSC Size (Sq. Ft.)	***Program Standard (spaces per thousand Sq Ft of Bldg)***	***Resulting Parking Spaces Required***	***Multi Level Parking COST***	***Multi Level Parking AREA***		***Table Top Parking COST***	***Table Top Parking AREA***		***Surface Parking COST***	***Surface Parking AREA***	
80,000	**4**	**320**	$6,400,000	35200	*Sq. Ft.*	$5,400,000	51200	*Sq. Ft.*	$1,920,000	99200	*Sq. Ft.*
				0.81	*Acres*		1.18	*Acres*		2.28	*Acres*
80,000	**3**	**240**	$4,800,000	26400	*Sq. Ft.*	$4,050,000	38400	*Sq. Ft.*	$1,440,000	74400	*Sq. Ft.*
				0.61	*Acres*		0.88	*Acres*		1.71	*Acres*
80,000	**2**	**160**	$3,200,000	17600	*Sq. Ft.*	$2,700,000	25600	*Sq. Ft.*	$960,000	49600	*Sq. Ft.*
				0.40	*Acres*		0.59	*Acres*		1.14	*Acres*
65,000	**4**	**260**	$5,200,000	28600	*Sq. Ft.*	$4,387,500	41600	*Sq. Ft.*	$1,560,000	80600	*Sq. Ft.*
				0.66	*Acres*		0.96	*Acres*		1.85	*Acres*
65,000	**3**	**195**	$3,900,000	21450	*Sq. Ft.*	$3,290,625	31200	*Sq. Ft.*	$1,170,000	60450	*Sq. Ft.*
				0.49	*Acres*		0.72	*Acres*		1.39	*Acres*
65,000	**2**	**130**	$2,600,000	14300	*Sq. Ft.*	$2,193,750	20800	*Sq. Ft.*	$780,000	40300	*Sq. Ft.*
				0.33	*Acres*		0.48	*Acres*		0.93	*Acres*

828 MLK - MSC Development Scenario Matrix

1/17/2022

ASSUMPTIONS

Color Code: ***Allowance*** ***Estimate*** 12

Shared Costs		
Total Shared Brownfield / Site Costs	$5,000,000	
Total Shared Soft Costs	$2,875,000	

Construction & Parking Expenses						
MSC Hard Costs	$330	*per Sq. Ft.*				
Overall MSC Building Budget	$34,230,698	*Allowance*				
Second Floor MSC Entrance Plaza / Community Space	$2,500,000	*Allowance*				
Outdoor Amphitheatre at Bolin Creek Trail	$1,000,000	*Allowance*				
Outdoor Community Greenspace on Town Parcel	$1,000,000	*Allowance*				
Sustainable Construction Enhancements	$3,000,000	*Allowance*				
Multi Family Construction Cost	$175,000	*per unit*				
Parking Deck Construction Cost (partial multi-family wrap)	$20,000	*per space*	450 *spaces*	*(unless noted)*	TOTAL	$9,000,000
Parking Deck Add Cost if "not wrapped"	$2,000,000	*Allowance*				
Lease Spaces to MF	$125	*per space*	*per month*			
Multi-Family / Parking Finance Rate	4.75%					

ToCH MSC Estimated Project Cost based on Options Selected

	MSC ONLY	***MSC & Multi-Family -shown with Unit Count - % of Total ADU Units - % of AMI***									
	No Multi-Family Units	***150 Multi-Family UNITS***			***200 Multi-Family UNITS***			***250 Multi-Family UNITS***			
Pro Forma Results		150-100%-111%	150-15%-80%	150-30%-60%	200-100%-107%	200-15%-80%	200-30%-60%	250-100%-106%	250-15%-80%	250-30%-60%	250-30%-30%
		Work Force 3	*80% AMI*	*60% AMI*	*Work Force 2*	*80% AMI*	*60% AMI*	*Work Force 1*	*80% AMI*	*60% AMI*	*30% AMI*
Multi-Family UNITS		**150**	**150**	**150**	**200**	**200**	**200**	**250**	**250**	**250**	**250**
% ADU		0%	15%	30%	0%	15%	30%	0%	15%	30%	30%
% AMI		111%	80%	60%	107%	80%	60%	106%	80%	60%	30%
Multi-Family % of Shared Cost		53%	53%	53%	58%	58%	58%	63%	63%	63%	63%
Land Value		$0	$0	$0	$1,000,000	$1,000,000	$1,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000
Annual Subsidy		$0	$150,000	$600,000	$0	$0	$550,000	$0	$0	$700,000	$1,300,000
MSC % of Shared Cost	***100%***	47%	47%	47%	42%	42%	42%	37%	37%	37%	
Brownfield Expense	$5,000,000	$2,367,489	$2,367,489	$2,367,489	$2,077,612	$2,077,612	$2,077,612	$1,850,977	$1,850,977	$1,850,977	
Shared Soft Costs	$2,875,000	$1,361,306	$1,361,306	$1,361,306	$1,194,627	$1,194,627	$1,194,627	$1,064,312	$1,064,312	$1,064,312	
MSC	$34,230,698	$34,230,698	$34,230,698	$34,230,698	$34,230,698	$34,230,698	$34,230,698	$34,230,698	$34,230,698	$34,230,698	
2nd Fl Plaza Entrance	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	
Amphitheatre	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	
Community Greenspace	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	
Sustainability Adds	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	
Parking Deck	$5,440,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Land Value Credit	$0	$0	$0	$0	($1,000,000)	($1,000,000)	($1,000,000)	($4,000,000)	($4,000,000)	($4,000,000)	
TOTAL COST Before Subsidy	**$55,045,698**	**$45,459,494**	**$45,459,494**	**$45,459,494**	**$44,002,937**	**$44,002,937**	**$44,002,937**	**$40,645,987**	**$40,645,987**	**$40,645,987**	
Annual Subsidy For ADU's	**$0**	**$0**	**$150,000**	**$600,000**	**$0**	**$0**	**$550,000**	**$0**	**$0**	**$700,000**	
POTENTIAL ADJUSTMENTS to Reduce Subsidy:											
Land Value:			($2,200,000)	($2,200,000)			$0			$0	
Annual Subsidy:			$0	$450,000			$460,000			$375,000	

828 MLK Land Use Options

Description	Projected Cost Scenarios (over time)			
	No Development on 828 MLK	MSC Only at 828 MLK	MSC & Private Development (Residential) at 828 MLK	MSC & Private Development (Commercial) at 828 MLK
MSC Construction Cost - Base Budget	$0	$34,000,000	$34,000,000	$34,000,000
Brownfields Related Costs	$3,500,000	$5,000,000	$2,500,000	$5,000,000
Soft Costs	$2,000,000	$2,875,000	$1,437,500	$2,875,000
Parking *(assumes 2 story table top deck - 320 spaces)*	$0	$5,400,000	$0	$5,400,000
Potential Value assigned to Land	$0	$0	($1,000,000)	$0
828 Subtotal	***$5,500,000***	***$47,275,000***	***$36,937,500***	***$47,275,000***
Additional Items to be considered (some are annual operational budget items)				
MSC Construction Cost - *(built w parking at different site)*	$39,400,000	$0	$0	$0
Future Value assigned to Land *(as future commercial sale)*	($2,800,000)	($2,800,000)	$0	($2,800,000)
20 yr. Town Cost to Lease Parking *(@ estimated rate)*	$0	$0	$6,750,000	$0
20 yr. Town cost to maintain Parking	$0	$640,000	$0	$640,000
20 yr. Town Tax Revenue at 828 MLK	$0	$0	($6,800,000)	$0
Net Cost	***$42,100,000***	***$45,115,000***	***$36,887,500***	***$45,115,000***
Additional Items that could be included at 828 MLK Site				
2nd Floor MSC Entrance Plaza / Community Space	$0	$2,500,000	$2,500,000	$2,500,000
Outdoor Amphitheatre at Bolin Creek Trail	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Outdoor Community Greenspace on Town Parcel	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Sustainable Construction Enhancements	$0	$3,000,000	$3,000,000	$3,000,000
	Town could keep balance of parcel as open community space but forfeit future value	*Town could keep balance of parcel as open community space but forfeit future value*	*Private Development shares Brownfields Cost (+/-$4M) and Builds Parking Deck (+/- $9M)*	*If Commercial Development is delayed due to demand, MSC bears the full Brownfields Costs*
		Town would build and maintain its own parking	*Cost of Parking Maintenance by Private Development*	*Town would build and maintain its own parking*
	*Town **COULD** sell commercial parcel in future as demand increases*	*Town **COULD** sell commercial parcel in future as demand increases*		*Town **WOULD** sell commercial parcel in future as demand increases*

828 MLK Property
Key Documents and Research

Report Name/Type	Date	Performed By	Key Findings
Remedial Investigation-Phase I	July, 2013	Falcon Engineering	Preliminary investigation after initial discovery of coal combustion products on site. Site reconnaissance, review of historical land use, research and consultation with available State and local environmental databases and officials, a review of available maps and other records, and limited sampling of sediment, surface water, and groundwater.
Environmental Site Characterization	March, 2014	Falcon Engineering	The purpose of the investigation was to further delineate environmental conditions present at the site regarding the former use as borrow pit and subsequent fill site.
Phase II Remedial Investigation Report	August, 2017	Hart & Hickman	The purpose of the Phase II RI is to further evaluate geologic and hydrogeologic conditions at the site and to collect additional data to better define the extent of impacts identified during previous assessment activities
Property Appraisal	January, 2018	David Smith	The property was found to have $0 valuation with current contamination. Without contamination, the parcel (land only) was estimated to be valued at $4M.
Remedial Alternatives Evaluation	August, 2018	Hart & Hickman	Evaluation of coal ash stabilization options. Option 1 – Full removal of the CCPs and restoration of the property. The estimated costs for this alternative are $13.4MM to $15.9MM Option 2 – Removal of the erosional CCP along the Bolin Creek Greenway trail, installation of an earth retention system along the embankment and restoration of the property. The estimated costs for this alternative are $1.6MM to $3.5MM, with the range largely dependent upon the type of earth retention system used.
Preliminary Risk Evaluation for Interim Measures	May, 2019	Duncklee & Dunham	Evaluation of potential interim remedial measures to better control the risk profile of the site. The potential use of interim measures is designed to enable the Town to ensure protectiveness of the nearby community, including users of the adjacent Bolin Creek Greenway Trail.
Results of Surficial Soil Samples from	September, 2019	Hart & Hickman	In response to stakeholder questions about the depth of earlier soil measurements, these

Drainage Pathways along Lower Portion of Property			samples were taken to better understand the make-up of the soil located closer to the surface (0-2 inches) within drainage pathways located on the lower portion of the property. The results of the 0-2 inch samples collected from the drainage pathways indicated the potential for higher concentrations of metals in samples from the erosional CCP areas (green areas on the map), but not in every case. This appears to be related to the thickness of erosional CCP in each area. In locations outside of the erosional CCPs, there does not appear to be a significant difference in concentrations between the 0-2 to 2-6 inch samples.
NC Brownfields Eligibility Determination	October, 2019	NC Department of Environmental Quality	Site is determined eligible for the NC Brownfields program. Eligibility is provisional until an agreement is executed.
Environmental Justice Evaluation of Landfill Facilities	October, 2019	Duncklee & Dunham	Staff requested an evaluation of landfill sites for coal ash disposal in consideration of environmental and social justice. Using the NCDEQ EJ Tool and Community Mapping System, Duncklee & Dunham reviewed demographic data on population, race, income, gender, and health in the vicinity of each landfill.
Environmental Management Plan	October, 2019	Hart & Hickman	The purpose of an EMP is to help DEQ understand how the eligible party will remain in compliance with DEQ regulations as any changes occur at the site. The Town's EMP describes the activities that took place on the lower portion of the site associated with the interim remedial measures and trail construction.
Pre-Soil Disturbance Soil Characterization for Shallow Soils Containing Coal Combustion Products	November, 2019	Hart & Hickman	The test results for The Resource Conservation and Recovery Act (RCRA) metals indicate that the soils located in areas G, H and I (green areas) on Hart & Hickman's Cover Evaluation Map are non-hazardous. This was required prior to disposal of any site materials by the receiving facility.
Pre-Soil Disturbance Soil Characterization for	November, 2019	Hart & Hickman	The test results for RCRA metals indicate that these soils are non-hazardous.

Trail Construction Areas			
Post Data Gap Assessment Report	December, 2020	Hart & Hickman	Additional data was requested to support the Human Health and Ecological Risk Assessment. Samples were collected and summarized.
Interim Remedial Measures Report	May, 2021	Hart & Hickman	This report summarizes the steps that the Town has taken to remove and manage exposed coal combustion products along Bolin Creek Trail and portions of the embankment that separates the upper and lower areas of the Police Station property. Results of the cumulative risk calculations indicate soil in the vicinity of Bolin Creek Trail does not pose an unacceptable risk to trail users.
Human Health & Ecological Risk Assessment Report	May, 2021	Synterra Corp. (Formerly Duncklee & Dunham)	This report summarizes the findings of a human health and ecological risk assessment for the property in accordance with Environmental Protection Agency (EPA) and North Carolina risk assessment guidance. Interim remedial measures have been effective in reducing risk to Greenway users to within acceptable EPA ranges. Based on the current site use and data, this risk assessment concludes the greenway trail is safe for use. If additional construction activities are needed in areas of concern, the current site worker training plan, which includes the use of PPE, should be continued.
Cost Considerations for Municipal Services Center	March, 2021	Staff	This memo was presented to Council at the March 5 CCES meeting and provides a preliminary cost comparison between locating the MSC at 828 MLK and the Weaver Dairy sites. This meeting was recorded and can be viewed here.
Risk Assessment Report & Executive Summary	October, 2021	Hart & Hickman	The purpose of this risk assessment was to evaluate the potential risk to human health and ecological receptors associated with the CCPs at the site, and the additional remedial actions or other measures that can be taken to address these risks.