



**City of Duluth Communications Office**

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**SUBJECT: City Administration announces American Rescue Plan recommendations**

**BY: Kate Van Daele, Public Information Officer**

**City Administration announces American Rescue Plan recommendations**

[Duluth, MN] At a press conference held on Tuesday, June 29, Mayor Emily Larson and members of the City Administration announced recommendations on spending \$58,117,858 in allocations from the American Rescue Plan. The recommendations will be brought forward on the July 6 City Council meeting agenda and include investments in affordable housing, job training, and workforce services, utility and broadband infrastructure, public safety crisis intervention, and community violence programs, among other areas.

“These investments not only speak to our values as a city and administration, they also link back to the goals set by the community as a part of the Imagine Duluth 2035 Comprehensive Plan,” Mayor Emily Larson said. “COVID-19 hit our community hard, but thanks to the American Rescue Plan, this funding will help to lay the foundation for a strong and equitable recovery.”

The recommendations are meant to provide City Council with a high-level overview of the purpose of the American Rescue Plan Act (ARPA) funding and the City’s process and goals for prioritizing and using the ARPA funds. The ARPA funds are intended to provide support to recipients in responding to the impact of COVID-19 and in their efforts to contain COVID-19 within their communities, residents, and businesses. The funds are governed by guidelines and four eligible categories of eligible uses.

Duluth, like many cities across the U.S., was negatively impacted by COVID-19. The unemployment rate in Duluth was 6.4% in 2020, compared to 3.1% in 2019. Thirty-three percent of households earned less than \$35,000. The number of people experiencing homelessness increased by 8%, and Duluth saw the highest number of opioid-related overdoses since tracking began in 2013, with 213 total overdoses or a 22% increase.

When assessing the impacts to the community and the purpose of the funds, City departments submitted requests, the Administration conducted a study session to understand Councilor priorities, and City staff looked to the community-led plan of Imagine Duluth 2035 as a guiding document to build a more resilient City. This process garnered over 150 submissions for a total of over \$280 million.

To determine eligibility, the requests were reviewed by the City’s Finance Department, the City Attorney’s Office, and in consultation with the State Auditor. The following investments have been identified as eligible uses under the rules and regulations of the Coronavirus State and Local Fiscal Recovery Fund. These investments rose to the top and were consistent with the needs of the community.

- **Affordable Housing - \$20,678,130**

The economic impacts of COVID-19 have been most acute in lower-income neighborhoods, including concentrated areas of high unemployment, limited economic opportunity, and housing insecurity. Affordable housing is a demonstrated community need and investing in affordable housing enhances the quality of life of the City’s residents. Housing is a catalyst for economic development, brings employers to the city, and it brings jobs to the city. An investment in affordable housing now expands the City’s tax base and realizes a reasonable rate of return on the public investment, thereby reducing the impact of property taxes on taxpayers. Affordable Housing units would be developed in Core Investment Areas in alignment with Imagine Duluth 2035.

- **Job Training and Workforce Services - \$550,000**

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

- **Investments in Utility Infrastructure and Broadband - \$13,850,000**

To assist in meeting the critical need for investments and improvements to existing infrastructure in water, sewer, and broadband, ARPA funds allow governments to make necessary investments in these sectors. City staff looked at critical infrastructure needs from the City’s Capital Plans that would begin to address lead pipe remediation for residents, reduce water

pollution and eliminate the need to raise utility rates for all residents in order to fund these capital projects in future years. Additionally, the City is looking to incentivize broadband providers to the City which will reduce the cost of internet for households city-wide while providing more equitable access.

- **Ventilation and COVID mitigation improvements in City Hall - \$12,000,000**

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

- **Public safety crisis intervention and community violence programs - \$1,800,000**

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

- **Investments in improving outdoor spaces - \$2,000,000**

In recognition of the disproportionate negative economic impacts on certain communities and populations, ARPA identifies certain types of services that are eligible uses when provided in a Qualified Census Tract (QCT), to families and individuals living in QCTs, or when these services are provided by Tribal governments. Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic.

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

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

- **Assistance to small businesses, tourism, component units, and impacted industries - \$2,200,000**

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

The remaining \$5,039,729 will be used to offset the City's lost revenue to continue providing government services, and building capacity to ensure the programs outlined above are successful.

The American Rescue Plan is not finalized, and may continue to provide more funding flexibility in the months and years to come. The City of Duluth received the first half of the ARP funds in May of 2021, and will receive the remaining balance in May of 2022. The funds must be spent by December 31, 2026.

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