



**AGENCY:** City Council  
**MEETING DATE:** May 11, 2020  
**DEPARTMENT:** Community Development  
**PRESENTED BY:** N. McLaughlin  
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## AGENDA ITEM SUMMARY

**TITLE:**

**Receive Report, Conduct Public Hearing and Provide Direction to Staff Regarding 2020 Community Development Block Grant (CDBG) Program Competitive Applications**

**ISSUE:**

On March 9, 2020, staff reported to City Council regarding the 2019-20 Community Development Block Grant (CDBG) Notice of Funding Availability (NOFA), which was released on January 21, 2020. At that meeting Council provided direction for five activities to be included in the current round of competitive applications. Due to COVID-19, 2020 CDBG competitive applications are now due June 1, 2020. At this time, staff seeks Council's direction on priority activities since COVID-19 pandemic, for the 2020 CDBG grant cycle under the NOFA. The City of Fort Bragg is eligible to apply for five competitive activities in addition to the one over-the-counter (OTC) application (Water Meter Replacement Project) already submitted, during the 2020 NOFA cycle.

As required by the CDBG program, staff conducted a Design Phase hearing on November 21, 2019, to solicit community input and to assess needs for 2020 CDBG applications. Staff also requested and reviewed City priorities for CDBG funding. Based on the Design Phase hearing and activities proposed by City departments, a list has been prepared identifying several potential activities for the 2020 NOFA applications. Staff analyzed the potential grant activities to estimate likelihood of award and to assist City Council in determining the best strategy for applying for funding under this and future NOFAs.

Six activities may be applied for in the NOFA for a maximum application amount of \$3.5 million for Community Development activities and \$6 million for Economic Development activities. Following the approval of Resolution No. 4233-2020 approving application of \$2.9 million dollars for the Water Meter Replacement Project, \$555,635 is available for Community Development activity applications and \$6 million is available for Economic Development activity applications. However, the City is eligible to seek a maximum of \$1,250,000 of Economic Development funds as explained in detail below.

After the applications are prepared and before they are submitted to CDBG, City Council must approve an application resolution.

**ANALYSIS:**

The State CDBG program now provides funding on a competitive and OTC basis for a variety of housing, community development, and economic development activities. State CDBG funding is available for "non-entitlement" cities with fewer than 50,000 residents and counties

with fewer than 200,000 residents. The City of Fort Bragg is a non-entitlement city and is generally eligible to apply for CDBG funding under the State CDBG program.

When the Department of Housing and Community Development (HCD) receives a State CDBG funding allocation from HUD, the State program may combine current HUD funding with other available State funding and is required to release an annual Notice of Funding Availability (NOFA) to state the terms under which non-entitlement communities may apply for the funding. The NOFAs describe total available funding, eligible activities, eligibility requirements, and application procedures. Each eligible jurisdiction may apply for a range of activities depending upon limits imposed by each annual NOFA. For the 2019-20 NOFA, HCD has published that \$60 million is available for State CDBG applications.

### **2019-20 NOFA**

The 2019-20 NOFA is different from any previous NOFA in that HCD has adopted new CDBG program guidelines and implemented new processes. As a result, CDBG has made significant changes to the application parameters. Major changes in the 2019-20 NOFA include:

- Online application submission and management tool;
- Addition of an Over-the-Counter application process for all capital construction projects;
- Various funding limits for each application;
- Six different applications with varying submission dates and deadlines.

The 2020 NOFA provides approximately \$60 million (\$30 million in 2019 funds and \$30 million in 2020 funds) in CDBG Program funds, allocated as follows:

- Approximately \$18 million (30%) in Economic Development (ED) activities (\$5.4 for Competitive programs and \$12.6 for ED Over-the Counter (OTC) projects);
- Approximately \$30.6 million (51%) for Housing and housing related infrastructure (\$5.5 for Competitive programs and \$25.1 million in OTC activities);
- Approximately \$6 million (5%) for Colonias, defined as distressed, non-entitlement jurisdictions within 150 miles of the California-Mexico border. Fort Bragg is not eligible for this allocation;
- Approximately \$750,000 Non federally-recognized tribes;
- Approximately \$6 million will be available for planning activities;
- 15% of each allocation is available for Public Services;
- Each application is allowed up to 7% for administration.

### **Application Elements and Agreements**

Each jurisdiction may submit up to six applications with one activity per application. Each application will have its own budget, National Objective, scope of work and timeline. All CDBG activities must meet one of three National Objectives, including (1) benefit to low-and-moderate income persons; or (2) prevention of elimination of slums and blight; or (3) urgent need. The most commonly used National Objective is benefit to low-and-moderate-income persons or households (LMI). The LMI household income thresholds are calculated

and published by the U.S. Department of Housing and Urban Development (HUD) annually. Additionally, HUD created a mapping tool using the 2011-2015 American Community Survey data to assist jurisdiction when calculating LMI for application purposes.

For each potential activity the following threshold requirements must be met before application:

1. Non-entitlement City or County;
2. Submission of eligible activity;
3. Activity must meet a National Objective;
4. Demonstrate compliance with federal financial management (single audit, etc.);
5. Federal Citizen Participation Requirements;
6. Housing Element Certification;
7. Good Standing with the Department of Housing and Community Development;
8. State Objective 1 and State Objective 2;

The City meets these requirements for the outlined potential activities.

Each application or activity will have its own award and Standard Agreement (up to six for the 2020 NOFA cycle). In past years, a jurisdiction would only have one Standard Agreement that included all activities that were awarded.

### **Scoring**

After threshold requirements are met, Competitive Applications will be scored for two components. First, the Needs Score will be reviewed. This is a set score given to each jurisdiction with a different score for each activity type. HCD has set these scores, below are the City of Fort Bragg's scores for each activity:

*Homebuyer Assistance, 78/100*

\* The City would be competing with 40 of the 199 jurisdictions. The City does not qualify for this program at this time.

*Owner-Occupied Rehabilitation Assistance, 34/100*

\* The City is not competitive for this program.

*Public Services, 80/100*

\* The City would be competing with 63 of the 199 jurisdictions. No Public Service has been identified for the 2020 NOFA at this time.

*Code Enforcement, 80/100*

\* The City would be competing with as many as 63 of the 199 jurisdictions. The City does not have a dedicated code enforcement officer and can show need, readiness and capacity.

*Planning, 80/100*

\* The City would be competing with as many as 63 of the 199 jurisdictions. The City can show need, readiness, and capacity.

*Economic Development 320/400*

\* The City would be competing with as many as 63 of the 199 jurisdictions. Economic Development funds are generally available and awarded to eligible activities.

Second, Activity Readiness will be reviewed and scored. The maximum scores for readiness have been published (see Attachment 3, Appendix L). Before application submission, staff will review each selected activity’s readiness and prepare each activity with the intent to obtain the maximum score available.

**Funding Limits**

Activities and funding limits for the 2019-20 CDBG Applications are summarized in the table below. Note that Program Income is not included in these limits. Projected Program Income can be added to an activity, which may exceed the limits.

Activity	Limit
<p><b>Housing Activities:</b></p> <p><u>Program:</u> Single-Family Housing Rehab, Homeownership Assistance</p> <p><u>Project*:</u> Multifamily Rental (5 or more units), Rehabilitation with or without acquisition, Public Improvements in Support of Housing</p> <p><u>Project*:</u> Acquisition of Multifamily Housing</p>	<p>Up to \$1,000,000</p> <p>Up to \$3,500,000</p> <p>Up to \$1,000,000</p>
<p><b>Non Housing Community Development:</b></p> <p><u>Project*:</u> Capital Improvements, Public Facility</p> <p><u>Planning:</u> Project Predevelopment</p> <p><u>Program:</u> Public Services</p> <p><u>Program:</u> Planning and Technical Assistance</p>	<p>Up to \$3,500,000</p> <p>Up to \$500,000</p> <p>Up to \$500,000</p> <p>Up to \$250,000</p>
<p><b>Economic Development Activities:</b></p> <p><u>Program:</u> Business Assistance Loan Program</p> <p><u>Program:</u> Micro-Enterprise Technical Assistance</p> <p><u>Project*:</u> Public Infrastructure In Support of Business, Commercial Industrial Building Acquisition, Construction, Rehabilitation or other improvements</p>	<p>\$750,000</p> <p>\$500,000</p> <p>\$6,000,000</p>

\* Over-the-Counter Projects must be Bid Ready at time of application.

The funding limits outlined do not include Program Income. Program Income is the funding the City receives as CDBG loans for housing rehabilitation or business loans are repaid to the City. Jurisdictions must spend Program Income on an identified and approved CDBG eligible activity. One way to spend Program Income is to apply it to an activity during application. Any Program Income applied to an activity is not included in the funding limit

(i.e. Planning Activity 1 is \$250,000 of grant funding and \$100,000 of Program Income; the planning activity total is \$350,000). The City projects that \$231,000 of Program Income will be received during the grant term.

### **Potential Application Activities**

On November 21, 2019, staff held a Design Phase public hearing to discuss the 2020 CDBG funding opportunities. The meeting notice was published in the Fort Bragg Advocate, posted in English and Spanish at many different physical locations, announced on the City website, emailed to interested parties listed on City website notifications groups, and emailed to 44 local non-profit organizations. Two individuals attended the November 21, 2019, Design Phase public hearing. At the meeting, staff did not receive a proposal for eligible CDBG activities.

Throughout the year staff meets with individuals and organizations to discuss potential CDBG activities. Before March 9, 2020, one preliminary activity (with one alternative) had been identified and requested by the Fort Bragg Fire District. Since COVID-19, West Business Development Center has contacted the City regarding one activity, Microenterprise Financial Assistance. Eight preliminary activities have been identified for consideration by the City. Staff has removed activities that Council previously eliminated that have not had a direct impact by COVID-19.

Potential activities along with activity amounts are described below:

#### Economic Development Activities:

- **Business Assistance Loan Program** (estimated at \$500,000, not to exceed \$750,000) If selected and as required by HCD, City staff will complete a Market Analysis that will guide the amount of grant funds to seek.
- **Microenterprise Business Assistance Program** (estimated at \$200,000, not to exceed \$500,000) If selected and as required by HCD, City staff will complete a Market Analysis that will guide the amount of grant funds to seek.

#### Planning and Technical Assistance Activities:

- **Fire Station Roof Rehabilitation Planning Grant – Alternative 2** (\$34,334 of the \$250,000 limit)
- **Business Incentives Planning Grant** (\$50,000 of the \$250,000 limit)
- **Mill Site Planning** (\$100,000 to \$150,000 of the \$250,000 limit)
- **Emergency Response Plan** (\$75,000 of the \$250,000)
- **Bainbridge Park Rehabilitation Planning Grant** (\$157,560 of the \$250,000)

#### Code Enforcement Activities:

- **Code Enforcement Program** (estimated \$320,000 up to \$500,000\*)

\*Estimate based on a two-year program with one full time admin/CSO and ¼ time Officer.

**CDBG Funded Projects**

The City has a very active CDBG program. Since 2014 the City has applied and been awarded funding from three of the five NOFA cycles. The table below provides an overview of CDBG funding awards:

<b>NOFA</b>	<b>City Application</b>	<b>Award Amount</b>	<b>Activities</b>
2014	Yes	\$2,000,000	Homeless Facilities, Public Services, Employment Training, Microenterprise programs
2014 (OTC)*	Yes	\$836,151	Direct Financial Assistance (loan to: Sportz Investment Inc. DBA Sport Chrysler Jeep Dodge)
2015	No	None	None
2016	Yes	\$2,000,000	Water/Sewer Improv., Direct Financial Assistance, Planning grants, Microenterprise programs
2017	Yes	\$3,038,896	Cypress Street Parents and Friends RCFE's Project
2018	No	None	None
2019-20 (OTC)	Yes	Pending	Water/Sewer Improv. (Water Meter Replacement Project)

\*Over-the-Counter (OTC) Economic Development loans can be applied for until September 15, 2020 for the 2019-20 NOFA cycle.

**Considerations for Selection of Activities**

City Council may select up to five activities for applications, with Community Development Activities not exceeding \$555,635 in grant funds or Economic Development funds exceeding \$1,250,000 in grant funds. City Council may allocate up to \$231,000 of Program Income to the selected activities. Program income allocation may vary based on the timelines and schedules for each activity being considered.

- At the Special City Council meeting on January 29, 2020 to discuss Economic Incentives for business growth, Council reviewed and supported the Business

Assistance Loan Program (BALP). The Business Assistance Loan Program provides loans up to \$300,000 to businesses within the City of Fort Bragg. Council also supported the implementation of the Economic Development and Housing Development Incentives Manual. A CDBG Business Incentives Planning Grant would provide funds for a portion of the planning necessary for many priority programs within the Manual.

- The Financial Assistance Program (FAP) is consistent with City Priority Areas established in the City Council's April 2019 Goal Setting process, which included "Job Industry" to expand economic development opportunities through loans and grants. The FAP is designed for Microenterprise businesses (businesses with five or fewer employees) and provides small loans and grants to eligible businesses. It requires that the business be engaged in Technical Assistance activities to receive the loan funds. West Business Enterprise Center currently has Microenterprise Technical Assistance funding through county CDBG and would be the organization to provide Technical Assistance services to businesses seeking FAP. Due to COVID-19 many small businesses are in need of financial assistance.
- The Fire Station Rehabilitation is listed in the City's Capital Improvements Program. The Fire District frequently repairs the roof and any obvious deterioration to the structure. However, the Fire District does not have sufficient funds to repair or replace the roof or fund the needed rehabilitation of the structure, with some areas of the station dating to 1947.
- City Council has provided direction to staff on many occasions to continue the planning efforts necessary to complete the re-zoning of the Mill Site. The planning grant would provide funds to continue these efforts and help fund the required reports and studies to complete the Local Coastal Program Amendment.
- On July 22, 2019, Council approved City Council Resolution 4185-2019 approving application for Statewide Park Program funding through State Parks (Prop 68). Due to the very competitive grant round (\$2.3 billion in applications with only \$254.9 million available) through Statewide Park Development and Community Revitalization, the Bainbridge Park Rehabilitation Project was not awarded. Leading up to the July 22, 2019 Council meeting, four community meetings were held to gather input. The Rehabilitation of Bainbridge Park is also in the City's Capital Improvements Program.
- The City does not currently have a funded full time Code Enforcement Officer position. The program would increase Code Enforcement efforts resulting in a more proactive code enforcement program.
- The Emergency Response Plan has not been updated since 2015 and was approved by City Council on January 11, 2016. The current COVID-19 pandemic has shed light on the urgency to update the Plan to be better able to respond to emergencies in the community. The planning grant would provide funds to assist in updating the Emergency Response Plan, which would provide a more adequate response to the emergencies that the City has faced in recent months and in the years to come.

**RECOMMENDED ACTION:**

Provide direction to staff regarding City Council’s priorities for activities to be included in the 2020 CDBG competitive applications.

**ALTERNATIVE ACTION(S):**

No action. Under this alternative, the City would not submit competitive applications at the June 1, 2020 deadline.

**FISCAL IMPACT:**

CDBG funds allow the City to conduct activities and complete projects to benefit the community, and in particular, the City’s low- and moderate-income residents, for which funding would otherwise be unavailable. CDBG activities also create job opportunities in the community. CDBG grant administration requires significant commitment of staff time, but CDBG provides funding for administrative activities (up to 7% of activity funds) that is generally adequate to service the program. There are sufficient grant funds to operate the City’s 2017 CDBG grant, including all construction project costs and general administration.

**CONSISTENCY:**

The State CDBG mission is to improve the lives of low- and moderate-income residents through the creation and expansion of community and economic development opportunities, which supports livable communities for all residents. This mission is consistent with City Priority Areas established in City Council’s April 2019 Goal Setting process including Priority Area “Jobs/Industry” (Economic Development loans and grants, Business Assistance Program); Priority Area “Quality of Life” (public improvements projects); and Priority Area “Infrastructure” (community development capital projects).

**IMPLEMENTATION/TIMEFRAMES:**

If City Council provides direction to submit 2019-20 CDBG competitive applications, a Resolution of application must be approved prior to application submittal. The application due date is June 1, 2020.

**ATTACHMENTS:**

1. Public Hearing Notice (English)
2. Public Hearing Notice (Spanish)
3. Appendix L: 2020 CDBG Application Scoring Criteria

**NOTIFICATION:**

1. CDBG Activities Notify Me Subscribers