



**AGENCY:** City Council  
**MEETING DATE:** Jan. 27, 2020  
**DEPARTMENT:** Community Development  
**PRESENTED BY:** N. McLaughlin  
**EMAIL ADDRESS:** nmclaughlin@fortbragg.com

## AGENDA ITEM SUMMARY

### **TITLE:**

**Receive Report and Conduct Public Hearing for Disclosure of Accomplishments and Closeout of Activities Funded by Community Development Block Grant (CDBG) 16-CDBG-11140**

### **ISSUE:**

The expenditure period for the City's 2016 Community Development Block Grant (CDBG) 16-CDBG-11140 ended on October 25, 2019. Per CDBG requirements, a public hearing must be conducted before the governing body to notify the public of accomplishments funded by the grant. The 2016 grant was awarded to fund the 1.5 Million Gallon Water Tank Project, the Business Assistance Loan Program, Microenterprise Assistance Program, Economic Development Implementation Strategy, Mill Site Planning Process and General Administration. The 2016 grant also included three "Supplemental Activities" funded by Program Income: the Glass Beach Housing Rehabilitation Project and funding for two slip-line projects known as the 2019 Cure In Place Pipe Project (CIPP). Following is a description of accomplishments resulting from each of the funded activities.

### **ANALYSIS:**

The City was awarded \$2,000,000 in late 2016 to implement four major activities plus General Administration funding:

- \$1,395,349 for the 1.5 Million Gallon Water Tank Project;
- \$161,000 for the BALP (Business Assistance Loan Program);
- \$211,092 for Microenterprise Assistance Program;
- \$46,512 for the Economic Development Implementation Strategy;
- \$46,512 for the Mill Site Planning Process; and
- \$139,535 for General Administration funding.

In addition to the above activities, CDBG required the City to authorize expenditure of Program Income on "Supplemental Activities." Program Income is comprised of funds received by the City when CDBG-funded housing or business loans are repaid. On July 11, 2016, after holding a Public Hearing, City Council adopted a Resolution to authorize the addition of three Supplemental Activities to the 2016 grant.

As described in the July 11, 2016 Agenda Report, approximately \$225,000 in Program Income was expected to be received over the term of the 2016 grant, based on expected regular loan repayments. However, Program Income receipts are uncertain, and actual receipts could be significantly more or less than anticipated amounts. Also, all Program

Income funds for a project must be accumulated before a project can commence. For the 2016 grant, three Supplemental Activities were authorized, each of which was initially allocated up to \$75,000. The two Supplemental Activities included in the 2016 grant agreement were (in priority order):

- Glass Beach Housing Rehabilitation Project; and
- Two Slip-Line Projects (2019 Cure In Place Pipe Project)

Both of the projects were completed by the October 25, 2019 expenditure deadline. The City provided \$24,496 for the Glass Beach Housing Rehabilitation Project and \$227,849 to the Cure in Place Pipe Project. The increase in available Program Income was due to multiple loan payoffs and a large loan payment during the grant term. The following is a summary of accomplishments for each of the funded and completed activities.

**1. 1.5 Million Gallon Water Tank Project**

The 2016 CDBG application provided up to \$1,395,349 for a Public Improvement activity to construct a 1.5 million gallon water tank to increase the supply of stored treated water for all City residents. The grant funds were used for engineering services, pre-construction costs, construction management costs and the construction work for the project.

The City entered into a contract with Akeff Construction Service, Inc. on December 18, 2017 and construction began in January 2018. The water tank’s first day of use was July 13, 2018 and the Project was complete on August 8, 2018.

Total costs of the project are summarized in the table below.

Description	Amount
Water Tank Construction Costs	\$ 1,245,847
Project design and construction management	\$ 134,911
City staff labor (labor standards & construction management)	\$ 14,591
<b>Total costs</b>	<b>\$ 1,395,349</b>

For CDBG Completion Reports, City staff are required to report regarding the number of people who benefited from the activity. For the 1.5 Million Gallon Water Tank Project we report based on the low to moderate income individuals within the City, which is 6,925 residents.

**2. Business Assistance Loan Program**

The 2016 CDBG grant provided \$161,000 to provide loans to eligible businesses located within city limits and to procure a highly experienced program operator to assist with the business loan process. Grant funds were used to provide a \$140,000 loan to Overtime Brewing, Inc. to assist with startup costs and \$21,000 was used to fund administrative costs associated with the loan development and loan activity closeout.

This loan activity met all completion requirements on August 29, 2019. For CDBG Completion Reports, City staff are required to report the number of jobs that were created as well as other activity related data. Overtime Brewing, Inc. created 11 new jobs.

All Business Assistance Loan Program grant funds were expended by the October 25, 2019 grant expenditure deadline.

### **3. Microenterprise Assistance**

The 2016 CDBG grant provided \$211,092 for a Microenterprise Assistance Program. City Council approved a contract with West Company on October 23, 2017 for program operation. West Business Development Center (previously known as West Company) was the most qualified CDBG microenterprise assistance program operator to respond to the City's Request for Proposals. The 2016 grant allowed continuous provision of a Microenterprise Assistance Program, since activities funded by the 2014 CDBG grant ended on October 31, 2017.

The Microenterprise Assistance program provides individualized technical assistance in a combination of one-on-one and group/classroom settings to aspiring micro-entrepreneurs as well as existing business owners. Clients must meet CDBG low- and moderate-income limits and existing businesses must have five or fewer employees, including the owner(s). West Business Development Center microenterprise services include assessment, client service plans, business plan development, business counseling, and conduct of business courses.

During the 24-month term of operations under the 2016 grant, West Business Development Center provided technical assistance to 47 individuals, 19 of whom were operating existing businesses and 16 of whom were launching new businesses.

As of the October 25, 2019 grant expenditure deadline, West Company had expended \$107,811 of available funds. Funds of \$103,280 were unspent and will be disencumbered. Disencumberance of funds does not impact future grant ranking and rating points, but spending rates can inform future grant applications. West Business Development joins other CDBG Microenterprise Assistance operators who have experienced increasing difficulties in reaching eligible entrepreneurs, and this is partially due to CDBG parameters that prohibit the assistance to entrepreneurs who do not have an already existing business in city limits (the identified service area) or an address within city limits. When this occurs West Business Development Center will assist that individual or business with other programs they administer.

### **4. Economic Development Implantation Strategy**

The Economic Development Implantation Strategy was awarded \$46,512 to assist with improving economic conditions by the development of plans and support material. During the grant term City staff met with local realtors, organizations and business owners to gather information that advised the creation of the Commercial Property Form (see Att. 2- Commercial Property Form) that provides the realtor with details that assist the realtor and potential commercial property buyer. After implementation of the form, nine Commercial Property Listings have been requested (see Att. 3- Commercial Property Listing Form). When requested, staff researches the for-sale commercial property for zoning, water, sewer, drainage, fire sprinkler and parking requirements. A flyer is produced for the realtor to post

on site or provide to prospective buyers giving them an overview of the property's commercial potential.

The Economic Development Implementation Strategy funded \$6,612 to assist with the development of the Economic Development Incentives Manual. The Manual will provide a standard approach and guideline to ensure that economic development incentives support the goals of Fort Bragg community revitalization, attract new businesses, encourage investment of local businesses and are applied consistently. A draft of the manual will be presented at an upcoming City Council special meeting.

As of the expenditure termination date of October 25, 2019, \$26,331 was expended. Funds of \$20,181 were unspent and will be disencumbered.

## **5. Mill Site Planning Process**

The Mill Site Planning Process was awarded \$46,512 to assist with development of the Local Coastal Program (LCP) Amendment process in order for the Mill Site Specific Plan to be implemented. During the grant term many public meetings and workshops were held to solicit input on the details of the Mill Site Specific Plan, meetings with the Sherwood Valley Band of Pomo Indians were held, the LCP Amendment Application began development, and staff engaged the Coastal Commission in discussions to further the LCP Amendment Application.

As of the expenditure termination date of October 25, 2019, all grant activity funds were expended.

## **6. Supplemental Activities.**

The following activities were funded with Program Income received during the 2016 grant term:

**Glass Beach Housing Rehabilitation Project.** The City entered into a Deferred Loan Agreement with Building Better Neighborhoods, Inc. (dba Community Development Commission of Mendocino County), to implement this project using up to \$75,000 in City CDBG Program Income. Building Better Neighborhoods, Inc. awarded \$24,495.85 to Aum Construction, Inc. to implement the lighting improvements at Glass Beach Apartments. The project completion date was June 24, 2019. The Glass Beach Housing Rehabilitation Project was completed with \$50,504 of Program Income unspent.

For CDBG purposes, the Glass Beach Housing Rehabilitation Project reported activity beneficiary data for the fiscal year ending June 30, 2019.

**Cure In Place Pipe Project.** The Cure In Place Pipe (CIPP) Project was developed from the adopted Capital Improvements Program list. CDBG allowed the two approved slip-line projects to be combined into one activity for the benefit of procuring a contractor and project feasibility. A contract was awarded to Nor-Cal Pipeline services for \$247,075 for the CIPP Project by the City Council on May 28, 2019. Project funding was originally expected to be comprised of \$150,000 in CDBG Program Income with additional project costs to be paid for from the Wastewater Enterprise fund. With the remaining \$50,504 of Program Income from the Glass Beach Housing Rehabilitation Project, loan payments received, two loan payoffs and one large loan payment, \$227,849 of Program Income was available for the approved Cure In Place Pipe Project.

The CIPP Project was funded as a Public Improvements activity with “low-moderate area” (LMA) benefit. Beneficiaries for this activity have been reported as the entire population of Fort Bragg, of whom 57.6% are low- or moderate-income per CDBG-provided data tables.

**RECOMMENDED ACTION:**

No specific action is required of Council. The purpose of this item is to provide a report and conduct a required Public Hearing to disclose accomplishments and closeout of activities funded by CDBG #16-CDBG-11140.

**ALTERNATIVE ACTION(S):**

None.

**FISCAL IMPACT:**

All 2016 grant projects were implemented with CDBG grant funds except that a funding gap for the Cure In Place Pipe Project was paid by the Wastewater Enterprise Fund. The 2016 grant provided General Administration funding that was adequate to cover administrative costs, and ongoing administrative tasks after grant close out may be covered by the City’s 2017 CDBG grant administration funds. CDBG funding is intended to assist the low-and moderate-income population. The 2016 funding provided funding for services and public improvements to improve health and safety and enhance the economic status of the City’s neediest populations while also creating local jobs as grant funds were expended in Fort Bragg by local contractors and consultants.

**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 the City Priority Areas established in City Council’s February 2015 Goal Setting process including Priority Area 1 “A Healthy Environment” (water and wastewater improvements); Priority Area 2 “A Prosperous Economy” (economic development and affordable housing activities); and Priority Area 3 “An Engaged Community” (partnerships with community groups). The City’s 2014 Housing Element includes “provide additional affordable housing” and “maintain and preserve existing housing stock” as two of four broad housing priorities. The City’s 2014 Economic Development Strategy includes growing and retaining businesses with business technical support and resources (Strategies 1.1 and 1.2); completion of the Mill Site Specific Plan (Strategy 1.3); efficient water use via natural drainage (Strategy 4.2); and improvement of City infrastructure (Appendix A: Ongoing Priorities).

**IMPLEMENTATION/TIMEFRAMES:**

The expenditure deadline for the 2016 grant was October 25, 2019. Final Funds requests for the grant have been submitted. Grant close-out reports for each activity and other required close-out documents will be submitted after the close-out public hearing is held. The City’s Agreement with CDBG expires on October 25, 2021. A final monitoring of the City’s grant activities may occur prior to October 25, 2021. It is unclear when CDBG will authorize close-out of the City’s contract with the state because final close-out is subject to

U.S. Department of Housing and Urban Development (HUD) monitoring and review of State CDBG funding allocations.

**ATTACHMENTS:**

1. Public Hearing Notice
2. Commercial Property Information Guide
3. Commercial Property Listing (Sample)

**NOTIFICATION:**

1. Mary Anne Petrillo, CEO, West Business Development Center