



CITY COUNCIL STAFF REPORT

TO: City Council **DATE:** June 22, 2026

DEPARTMENT: City Manager's Office

PREPARED BY: Isaac Whippy, City Manager

PRESENTER: Isaac Whippy, City Manager & Cynthia Sharon, HMC President

AGENDA TITLE: Presentation from Housing Mendocino Coast and Provide Direction on the Use of unspent ARPA Funds For the Acquisition of 251 S. Franklin Street and Project Working Capital

RECOMMENDATION

Staff recommends that the City Council consider the request from Housing Mendocino Coast and provide direction to the City Manager and City Attorney to prepare a Memorandum of Understanding and related funding documents for the proposed use of \$300,000 in American Rescue Plan Act housing funds to support Housing Mendocino Coast's acquisition of 251 S. Franklin Street and eligible project working capital for an affordable workforce housing project

BACKGROUND

Housing remains one of the City Council's highest priorities. The lack of attainable housing continues to affect local families, workforce recruitment and retention, business stability, public agency staffing, and the City's long-term economic and community development goals. The City's Housing Element provides the policy foundation for this work. As part of the City's housing strategy, the Housing Element included a program to research the Community Land Trust model and consider working with community partners to establish a Community Land Trust that serves Fort Bragg. This policy direction recognized that land is a finite community asset and that some land should be preserved for housing that remains affordable to working families over the long term.

To advance this concept, the City used State housing planning funds, including SB-2, LEAP/REAP, and PLHA funds, to explore how the Community Land Trust model could serve Fort Bragg and the Mendocino Coast. Professional services were secured to help develop a CLT strategy, complete the necessary organizational filings, and build capacity for what became Housing Mendocino Coast.

Housing Mendocino Coast was therefore not created as a stand-alone concept separate from the City's housing goals. It grew out of prior City Council policy direction, the City's

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Housing Element implementation work, and the City's interest in creating a long-term housing tool for low- and moderate-income households on the coast.

While the Community Land Trust concept has been in place since 2022, the effort has been stalled since its inception. Like many new nonprofit housing efforts, HMC faced early challenges related to organizational capacity, board development, funding, and identifying a feasible first project. As a result, the City's original policy direction to explore and support a CLT did not immediately translate into housing production. That has now changed. HMC has recently gained a new active board with housing, legal, fiduciary, land stewardship, design, and construction expertise. HMC has also secured significant funding and identified a specific first project site. With those pieces now in place, the organization is positioned to move beyond planning and into implementation.

What is a Community Land Trust?

A Community Land Trust is a nonprofit, community-based organization that acquires, owns, and stewards land for the public good. In the housing context, the CLT owns the land permanently, while income-qualified households purchase the homes located on the land. The homeowner receives long-term rights to occupy and use the land through a ground lease, typically a 99-year renewable lease. When the homeowner later sells the home, resale restrictions ensure that the home remains affordable to another income-qualified household.

This model is different from many traditional housing subsidy programs because the public investment is preserved over time. Instead of assisting only the first household, the CLT model is designed to keep the same home affordable for future buyers, generation after generation. This allows a one-time public investment to continue serving the community beyond the initial sale.

Housing Mendocino Coast's mission is to provide housing and homeownership opportunities to low- and moderate-income households within the City of Fort Bragg and the greater Mendocino Coast region while ensuring affordability for future generations through the CLT model. HMC's Strategic Plan emphasizes that land should be treated as a community asset and preserved for the public good, with the specific purpose of housing families earning up to 120% of area median income.

As part of prior ARPA funding discussions, the City Council obligated \$800,000 in ARPA funds toward housing initiatives by Resolution 4859-2024. Approximately \$50,000 was used to support the City's Prohousing Designation application and related housing policy work. The remaining housing funds were intended to support implementation of housing strategies, including opportunities to partner with private or nonprofit developers to construct housing on vacant or underutilized land. Following Council's direction, the City explored potential public-private partnership opportunities to support new housing development. The goal was to identify a feasible project that could leverage City funds, outside funding, and private or nonprofit development capacity to produce new housing units within Fort Bragg. However, due to elevated interest rates, high construction costs,

and overall development feasibility challenges, two developers ultimately declined to move forward with potential projects.

Since that time, the Housing Mendocino Coast Board has approached the City with a proposed partnership opportunity. HMC has identified 251 S. Franklin Street as its first proposed project site and is currently pursuing acquisition of the property. The property is approximately one acre, located near downtown and existing residential neighborhoods, and has utilities available on site.

HMC's current project concept includes approximately 12 to 13 affordable housing units, with a mix of residential unit types and the potential for certain units to be prioritized for income-qualified City employees or other local workforce households. HMC has represented that it currently has approximately \$1.39 million in existing funding and is seeking City assistance to complete acquisition of the 251 S. Franklin Street parcel and provide working capital necessary to advance planning, permitting, due diligence, and early project development.

Staff is now seeking City Council direction regarding the proposed use of \$350,000 in ARPA housing funds to support HMC's acquisition of 251 S. Franklin Street and eligible project working capital, and to authorize development of a Memorandum of Understanding between the City of Fort Bragg and Housing Mendocino Coast during Summer 2026.

DISCUSSION AND ANALYSIS

Staff is recommending that the City Council provide direction to allocate \$350,000 in ARPA housing funds to Housing Mendocino Coast for two primary purposes.

First, the funds would assist HMC with the acquisition of 251 S. Franklin Street. Securing site control is a critical step in moving the project from concept to implementation. Without site control, HMC cannot effectively proceed with entitlement work, final project design, construction planning, or additional fundraising.

Second, the funds may also support eligible project working capital directly related to moving the project forward. This may include due diligence, planning, permitting, design, predevelopment, financing, and other project-related costs, subject to final ARPA eligibility and agreement terms.

The City has invested significant time and policy work into housing production, prohousing strategies, and exploring new tools to address local housing needs. The HMC proposal represents a practical opportunity to move from planning to implementation.

The project is significant for several reasons:

- It would help secure a housing site within Fort Bragg;
- It would support permanently affordable homeownership;
- It would build on prior City Council direction to explore and support the CLT model;

- It would leverage HMC's existing funding;
- It would help address local workforce housing needs;
- It could provide a model for future City, nonprofit, employer, and philanthropic partnerships;
- It would preserve land for long-term community benefit.

A key strength of the Community Land Trust model is that the City's investment is not intended to benefit only the first buyer. Because the land remains under HMC ownership and homes are subject to resale restrictions, the affordability benefit is preserved over time.

Why Now

Although the CLT effort has been stalled since 2021, the project is now positioned differently. HMC has a new active board, secured funding, and an identified project site. The City also has remaining ARPA housing funds that were previously dedicated toward housing initiatives. The current request provides an opportunity to align those pieces: the City's prior housing policy direction, remaining ARPA housing funds, HMC's renewed organizational capacity, and a specific parcel that could become a permanently affordable workforce housing project.

Without City participation, HMC may still be able to begin work on the project, but the pace and scale of implementation may be reduced. With City support, HMC has indicated that it can move more quickly toward acquisition, planning, permitting, and eventual construction.

Memorandum of Understanding

If the City Council supports moving forward, staff recommends developing a Memorandum of Understanding between the City of Fort Bragg and Housing Mendocino Coast during Summer 2026.

The MOU should define the partnership framework and establish the conditions under which the City's ARPA funds may be expended. At minimum, the MOU should address:

- The purpose of the City's \$350,000 contribution;
- Eligible use of funds;
- Acquisition of 251 S. Franklin Street;
- Eligible project working capital;
- Project milestones;
- Funding disbursement procedures;
- ARPA compliance requirements;
- Local workforce housing priorities, including whether HMC will set aside or prioritize 2 to 4 units for income-qualified City employees, consistent with applicable law, income qualification standards, and project feasibility;
- Reporting and recordkeeping obligations;
- HMC's responsibilities as project sponsor;

- The City’s role in the partnership;
- Local workforce housing priorities;
- Remedies if the property is not acquired or the project does not proceed;
- Any repayment, reimbursement, or clawback provisions required to protect the City.

The MOU would provide structure and accountability while allowing HMC to proceed with the acquisition and early project development activities.

FISCAL IMPACT

The proposed action would allocate \$350,000 in ARPA housing funds to Housing Mendocino Coast for the acquisition of 251 S. Franklin Street and eligible project working capital. The proposed expenditure would not be a General Fund expenditure. However, the City must ensure that the ARPA funds are properly documented and expended within federal deadlines of 12/31/26.

Any required budget amendment, accounting adjustment, or resolution would be brought back to the City Council or included as part of the final approval action, depending on Council direction and Finance Department review.

Project Funding	
HMC - Federal Appropriation	\$ 840,000.00
HMC - PHLA Grant	\$ 550,000.00
Subtotal	\$ 1,390,000.00
<i>City Potential Funding - Prohousing Funds</i>	<i>\$ 500,000.00</i>
<i>City Potential Funding - ARPA funds</i>	<i>\$ 350,000.00</i>
Subtotal	\$ 850,000.00
Total Funds	\$ 2,240,000.00
Less funds committed to Land Purchase & Planning	\$ (663,500.00)
Funds for Construction	\$ 1,576,500.00

CONSISTENCY/STRATEGIC PLANNING

The City’s Strategic Plan identifies housing, economic development, fiscal stability, quality of life, and organizational partnerships as key priorities for the community. The proposed use of ARPA housing funds to support HMC’s acquisition of 251 S. Franklin Street is consistent with those goals because it would help advance a tangible affordable workforce housing project within the City.

The proposed project supports the Strategic Plan by:

- Advancing the City Council’s goal of increasing housing opportunities in Fort Bragg;
- Supporting workforce housing for local employees, including the potential to set aside or prioritize 2 to 4 units for income-qualified City employees;
- Strengthening recruitment and retention for public agencies, local businesses, schools, healthcare providers, and other employers;
- Encouraging a public-nonprofit partnership to address a community priority;
- Supporting long-term economic development by helping workers live in the community they serve;
- Preserving land for long-term community benefit and housing affordability.

The project also supports the City’s broader effort to be proactive and solution-oriented in addressing housing constraints. Rather than relying only on market-rate development, the proposed partnership would use a nonprofit community land trust model to help create permanently affordable ownership housing.

Housing Element Consistency

The proposed action is also consistent with the City’s Housing Element, which identifies the need to expand affordable housing opportunities for very low, low, and moderate-income households, as well as first-time homebuyers. Importantly, the Housing Element specifically identified the Community Land Trust model as a strategy for Fort Bragg. Program H-2.4.4 directed the City to complete research regarding Community Land Trusts and consider working with community partners to establish a Community Land Trust serving Fort Bragg.

The Housing Element also specifically directed the City to research the Community Land Trust model and consider working with community partners to establish a CLT serving Fort Bragg. Housing Mendocino Coast grew out of that policy direction and the City’s subsequent planning work.

The proposed \$350,000 ARPA contribution would help move this Housing Element strategy from planning to implementation by supporting acquisition of 251 S. Franklin Street and eligible working capital for a permanently affordable workforce housing project.

ATTACHMENTS

1. Housing Mendocino Coast Presentation to City Council
2. Housing Mendocino Coast Strategic Plan- 2021
3. Community Land Trusts: A Guide for Local Governments