



AGENCY: City Council
MEETING DATE: July 8, 2024
DEPARTMENT: Economic Development
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AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT, CONDUCT PUBLIC HEARING AND PROVIDE DIRECTION TO STAFF REGARDING 2024 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM APPLICATIONS

ISSUE:

Every year, the California Department of Housing and Community Development (HCD) releases a funding opportunity under the Community Development Block Grant (CDBG) program. Funds for the program are made available to HCD from the United States Department of Housing and Urban Development (HUD). As a non-entitlement jurisdiction, the City is eligible to apply for grants through the CDBG program.

The 2024 Notice of Funding Availability (NOFA) is expected to be released near the end of July 2024. In order to be eligible to receive CDBG funding, the City must hold at least two public hearings to solicit public input: one during the design phase and one before submitting an application to HCD. The purpose of this design phase public hearing is to ensure that the public has an opportunity to give input regarding potential projects and programs for the City Council to consider applying for under the next NOFA. After considering the information received from the public, City Council may direct staff regarding application preparation for the 2024 NOFA.

ANALYSIS:

CDBG Background

The primary federal objective of the CDBG program is the development of viable urban communities by providing decent housing and a suitable living environment and through expanding economic opportunities, principally, for persons of low- and moderate-income. "Persons of low and moderate income" are defined as families, households, and individuals whose incomes do not exceed 80 percent of the county median income, adjusted for family or household size. CDBG partners with rural cities and counties to improve the lives of their low- and moderate-income residents through the creation and expansion of community and economic development opportunities in support of livable communities. CDBG funds are provided as grants for a wide range of activities directed toward Economic Development (ED), improvement of community facilities and infrastructure, neighborhood revitalization, and public services. All CDBG activities must meet one of the following National Objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet certain urgent community needs. Depending on the type of project or program, benefit can be provided directly to low-moderate-income persons, or to a predominantly low-moderate income area.

HCD assigns Matrix Codes to eligible activities, which are used in the application process. A list of eligible activities entitled Matrix Code Definitions and a table linking Matrix codes to allowable National Objective Codes are attached herein (Attachment 2 & 3). These tools from the 2022 NOFA cycle may helpful in determining how a proposed project or program fits into the CDBG program. Files from the 2022 round have been provided instead of files from the 2023 round, as the 2023 round was restricted to Waitlisted applications and projects, and should be taken as guidance, as changes, such as not allowing Code Enforcement as a standalone, could apply.

Below are HCD’s current CDBG household income limits, effective May 1, 2024 and updated annually:

Persons in Household	1	2	3	4	5	6	7	8
Extremely Low 30%	\$19,000	\$21,700	\$24,400	\$27,100	\$29,300	\$31,450	\$33,650	\$35,800
Low 50%	\$31,650	\$36,200	\$40,700	\$45,200	\$48,850	\$52,450	\$56,050	\$59,700
60% Limit	\$37,980	\$43,440	\$48,840	\$54,240	\$58,620	\$62,940	\$67,260	\$71,640
Moderate 80%	\$50,650	\$57,850	\$65,100	\$72,300	\$78,100	\$83,900	\$89,700	\$95,450

City Eligibility

A grantee must have expended at least 50% of an existing award in order to be eligible to apply for a like project or program under the NOFA. The City will be eligible to apply for any type of project.

Application Types

1. Over-the-Counter (OTC) Project: Housing, Public Facilities, Infrastructure Projects
2. Over-the-Counter (OTC) Program: Housing and Economic Development Programs
3. Competitive: Public Services and Planning

OTC applications will be reviewed and awarded on a first-come, first-served basis, provided they meet threshold requirements. Competitive applications will be ranked and scored following the application deadline and will be awarded accordingly.

Funding limits per project type:

The total jurisdiction limit is \$3.6 million.

OTC Applications	Funding Limit
Public Facilities and Infrastructure	\$3.3 Million*
Housing Programs (can include Code Enforcement, Homebuyer, and Rehab)	\$1.5 million
ED Programs (can include Microenterprise and For-Profit)	\$1.5 million

Competitive Applications	Funding Limit
Planning	\$300,000
Public Services	\$300,000

*Note: as the jurisdiction is limited to \$3.6 million total, the OTC amount may need to be reduced accordingly if applying for an OTC Project and two Competitive applications.

Potential Application Combinations

1 OTC Project + 1 OTC Program + 1 Competitive **-OR-**

1 OTC Project + 2 Competitive **-OR-**

1 OTC Program + 2 Competitive.

Note: 2 OTC Project, 2 OTC Program, or 3 Competitive applications are **NOT** allowed.

Listed in the table below are some potential application combinations, though the list provided is not exhaustive. Regardless of the combination, the total application amount must not exceed \$3.6 million:

	Application 1		Application 2		Application 3	
A	OTC Project	\$3.3 million	OTC Program	\$0	Competitive	\$300,000
B	OTC Project	\$ 2.8 million	OTC Program	\$500,000	Competitive	\$300,000
C	OTC Project	\$ 1.8 million	OTC Program	\$1.5 million	Competitive	\$300,000
D	OTC Project	\$3 million	Competitive	\$300,000	Competitive	\$300,000
E	OTC Program	\$1.5 million	Competitive	\$300,000	Competitive	\$300,000

Potential Applications for Consideration

OTC Projects:

1. Fire Station Reconstruction (North Wing): Plans and specifications are complete and current by CDBG standards (dated within 90 days). CEQA is complete and NEPA can be completed before application. City staff is currently exploring funding from the Cal OES Hazard Mitigation Grant Program. This grant program requires a 25% match, for which CDBG funds can qualify. The potential funding request would include \$3 million from Cal OES and \$1 million in matching funds from CDBG. If CDBG funds are not secured as a match, the City may consider other grant programs or debt financing. This project has both a Housing and ED nexus, and as an operational fire station is imperative to the safety of all residents and businesses, and meets the Low-Moderate Income Area (LMA) National Objective.
2. Broadband Infrastructure Construction: Plans and specifications are complete.

CEQA and NEPA can be completed before application. The estimated build cost is \$14.5 million. Pending funding sources include \$10.3 million in funding from the Federal Funding Account grant program, as well as \$6 million in Congressional Community Project Funding. The only secured funding source is \$1.7 million in American Rescue Plan Act funding that has been dedicated by the City Council. The City may consider debt financing to fill any gaps left by unsuccessful grant applications. This project has an ED nexus, as reliable, affordable broadband access will increase economic opportunities for residents (access to remote work, schooling, and training), expand capabilities of businesses, and meets the LMA National Objective.

3. Parents and Friends Residential Care Facility for the Elderly: Plans and specifications are complete. CEQA and NEPA are complete. Updates may be needed as these were all completed for the original project several years ago. Funds in the amount of \$3.3 million would likely cover most or all construction costs for one additional unit (would house four residents). This project has a housing nexus, as this would increase the supply of affordable housing for disabled seniors, and meets the Low-Moderate Income Clientele (LMC) National Objective.
4. Streets Rehabilitation Project: Plans and Specifications are complete, as are CEQA and NEPA. The intent of the streets rehabilitation project is to remove and replace full-depth asphalt for two cul-de-sacs (Azalea Circle & Penitenti Way). The City submitted an application for funding under the 2023 CDBG NOFA, but the application was unsuccessful and the project remains unfunded. The estimated cost is approximately \$533,000. This project has a housing nexus, as rehabilitation of these residential streets will add value to the lives of the neighborhood households by improving the infrastructure surrounding their residences, and meets the Low-Moderate Income Area (LMA) National Objective.

OTC Programs:

1. Business Assistance Loan Program: This would provide funds for the continuation of the successful loan program which provides low-interest, flexible term loans to local businesses to support job creation and/or retention of primarily low-moderate income persons. As an added benefit, repaid loans become Program Income and can be used for future CDBG-eligible activities. This program has an ED nexus, as loans help to build capacity of local businesses, and meets the Low-Moderate Job Creation and/or Retention (LMJ) National Objective.
2. Housing Combination Program: This would provide funds for up to three program activities rolled into one award, including Housing Rehabilitation, First Time Homebuyer, and Code Enforcement. We could exclude First Time Homebuyer if we wanted to focus on Housing Rehabilitation. We could include Owner-Occupied Rehabilitation, in which the owner (who must reside in the house) is verified low-moderate income, and/or Multi-Family Rehabilitation, in which the renter is verified low-moderate income. In both cases, the housing units are restricted as affordable for a minimum of five years. Assistance may be provided as a grant, forgivable loan, deferred loan, or amortizing loan. Code Enforcement is not allowed as a standalone activity and HCD will specify in the upcoming NOFA the amount of funds that can

be dedicated to Code Enforcement, as a percentage of Housing Rehabilitation funds; that percentage has not yet been revealed. This program has a Housing nexus, as this would directly improve the quality of housing stock, and meets the LMC National Objective.

Competitive:

1. Utility Bill Assistance Program: This program would provide utility assistance to low-moderate income households in the form of direct payments to utility providers. This program has a Housing nexus, as subsistence payments can help keep essential utilities on for households in need, and meets the LMC National Objective.
2. Rental Assistance Program: This program would provide rental assistance to low-moderate income households in the form of direct payments to utility providers. This program has a Housing nexus, as subsistence payments can help keep residents in housing, and meets the LMC National Objective.
3. City Hall East Planning: This planning grant would deliver plans and specifications for the rehabilitation of City Hall East as a community space. This planning activity has an ED nexus, as creation of a vibrant community space in the Central Business District would help to increase economic activity downtown, and meets the LMA National Objective.
4. CV Starr Planning: This planning grant would deliver plans and specifications for the CV Starr Center expansion. This planning activity has both an ED and housing nexus, as eventual expansion of the CV Starr Center may create additional jobs, and the expansion will serve as a resilience center in times of need, and meets the LMA National Objective.
5. Trash Capture Device Planning: This planning grant would deliver plans and specifications for the installation of twelve high-flow capacity (HFC) trash capture devices inside of existing storm drain infrastructure, which will capture and prevent trash from travelling via the storm drains to receiving water bodies. State Water Board Regulations require this project be completed by 2030. The planning cost is estimated at \$167,000. This project has a housing nexus, as access to safe water is paramount, and this project prevents pollution of our water sources, and meets the Low-Moderate Income Area (LMA) National Objective.
6. Fire Station Planning: This planning grant would deliver plans and specifications for the reconstruction of the middle and south wings of the fire station. This planning activity has both a Housing and ED nexus, and as an operational fire station is imperative to the safety of all residents and businesses, and meets the Low-Moderate Income Area (LMA) National Objective.

Program Income

Program Income (PI), loan funds that have been repaid to the City, may be added to an application to increase the maximum, if available and desired. The City currently has the option to add approximately \$570,000 in PI to a 2024 application. Alternately, the City could apply for a PI only project or program under the 2023 PI only solicitation, available now in HCD's application portal. A separate public hearing to discuss PI has been scheduled so that, if Council desires, a PI application may either be submitted separately

or added to a 2024 NOFA application.

RECOMMENDED ACTION:

Consider public input and provide staff direction regarding City Council’s priorities for activities to be included in the 2024 CDBG application or applications.

ALTERNATIVE ACTION(S):

No action. Under this alternative, the City would not submit any applications for 2024 CDBG funding.

FISCAL IMPACT:

CDBG funds allow the City to conduct activities and complete projects to benefit the community, 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 that is generally adequate to service the program.

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 a 2024 CDBG application or applications, another public hearing must be held and a resolution must be approved prior to application submittal. The NOFA will likely be released in late July, and the application portal will likely open late August and close late October. In order to have the greatest chance of OTC award, staff should be prepared to submit OTC applications as soon as the portal opens. For this reason, the required resolution and second public hearing should be completed in early August. Competitive applications may be submitted any time during the application window.

ATTACHMENTS:

1. Public Hearing Notice
2. Matrix Code Definitions
3. Matrix Code-National Objective Table
4. CDBG 2019 Final Guidelines Amended 3.23.2022
5. CDBG NOFA 2022 Amendment 2

NOTIFICATION:

1. CDBG “Notify Me” Subscribers