



CITY COUNCIL STAFF REPORT

TO: City Council

DATE: February 23, 2026

DEPARTMENT: Economic Development Department

PREPARED BY: Lacy Sallas, Grants Coordinator

PRESENTER: Lacy Sallas, Grants Coordinator

AGENDA TITLE: RECEIVE A REPORT, HOLD A PUBLIC HEARING, CONSIDER ADOPTION OF A RESOLUTION OF THE FORT BRAGG CITY COUNCIL ADOPTING PROGRAM GUIDELINES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) BUSINESS ASSISTANCE LOAN PROGRAM (BALP), AND CONSIDER APPROVING AN AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH COMMUNITY DEVELOPMENT SERVICES FOR LOAN UNDERWRITING SERVICES

RECOMMENDATION

Adopt a Resolution Adopting Program Guidelines for the Community Development Block Grant (CDBG) Business Assistance Loan Program (BALP) and Approve an Amendment to the Professional Services Agreement with Community Development Services for Loan Underwriting Services

BACKGROUND

In 2024, the City of Fort Bragg applied to use the City's Community Development Block Grant (CDBG) Program Income funds to operate a Business Assistance Loan Program (BALP). The City has completed contracting with HCD which allows the City to use up to \$570,000 to fund the BALP, including loans to qualified businesses, loan underwriting services, staff expenses to operate the BALP, and staff expenses for general administration of the CDBG program. A Standard Agreement was executed between the City and HCD on October 23, 2025 and expires October 22, 2028. The contract expenditure period runs from October 23, 2025 to July 22, 2028. Closeout of the award will take place between July 23, 2028 and October 22, 2028, or sooner, should funds be exhausted. The BALP is expected to kick off in February 2026 and run through June 2028 or until all funds are expended, whichever happens first. Prior to program initiation, the City Council must adopt Program Guidelines, which govern program operation; and approve a professional services agreement for loan underwriting services. Consistent with CDGB requirements, a public hearing will be held to solicit input from the public regarding the proposed activities prior to approval of the Program Guidelines.

DISCUSSION AND ANALYSIS

AGENDA ITEM NO. 7A

The BALP is an economic development program providing financial assistance to support local businesses with creation and/or retention of jobs filled primarily by low-moderate income persons, which is an eligible CDBG Economic Development Activity. This activity meets the Low/Moderate Jobs (LMJ) National Objective through creation and/or retention of jobs, of which at least 51% are filled by low-moderate income persons. The City has operated a variety of business loan programs throughout the years as funding is available, most recently leveraging funding through annual CDBG, COVID-19 CDBG, and State and Local Fiscal Recovery Funds. The City's loan programs have assisted many local businesses and continue to be sought after programs.

Historically, the CDBG-funded program has operated without loan fees, with interest rates starting at 1%. The Fort Bragg Business Boost Loan Program, recently implemented and funded by SLFRF, includes modest loan fees, along with a slight interest rate increase. These changes, which do not appear to have deterred applicants, were implemented as a cost recovery measure to help fund the program in perpetuity. Because the Boost program is a revolving loan program, availability of loan funds will be dependent upon repaid loans.

While CDBG funding does not currently allow for revolving loan programs, like the Boost, the City could continue to apply to use Program Income funds for a BALP, essentially simulating a revolving loan program. Loan repayments collected would be deposited into the Program Income account and held for future use as contracted with HCD, for a BALP or other CDBG-eligible activity. The reintroduction of the CDBG program increases the likelihood that the City will have funds available for loans when they are most needed. Proposed Program Guidelines are included herein as Attachment 2. Program Guidelines have been updated using the most recent CDBG template; while largely similar to the last iteration, there are a handful of updates. In this iteration of Program Guidelines, we propose continuing the CDBG loan program sans fees, to keep the program accessible to all business owners. CDBG allows for funds to be used for Activity Delivery and General Administration, which will be used to cover expenses typically covered by loan fees (underwriting, recording, etc.). The draft Program Guidelines propose increasing the minimum interest rate from 1% to 2.5%, to more closely align the program with the Boost and to assist in cost recovery for loan servicing over time. The proposed range of 2.5-5% is still significantly lower than a market rate loan. Following is a brief overview of the main points of the program:

Program Guidelines Brief

Program Overview: The BALP will provide financial assistance to qualifying businesses within City limits by providing low-interest, flexible-term loans.

Eligible Businesses: For-profit businesses located within City limits.

Loan Amounts: Minimum of \$35,000 (supports at least one job) and Maximum of \$210,000 (supports at least six jobs). These limits were adjusted to correspond with the CDBG job creation/retention requirement of at least one job per \$35,000 loaned. The

maximum loan is capped at \$210,000 to ensure that funding is available to assist multiple businesses throughout the life of the program.

Loan Fees: None.

Interest Rates: May range from 2.5% to 5%, determined on case by case basis, based on risk factors.

Terms: Typically, 10 years, but may range from five to 30 years, based on project costs, security, and capacity to repay. Repayment is required – these are not forgivable loans or grants. Flexible repayment terms will be determined on a case-by-case basis, based on debt-service capacity of each applicant. Typically, loan payments will begin within three months of disbursement. Should job creation and/or retention requirements not be met, loans will become due and payable.

Job Creation and/or Retention Requirements: Each business must prove that jobs were created and/or retained as a result of the loan, and at least 51% of those jobs must be filled by low-moderate income persons.

Collateral: Collateral is required. Junior liens will be considered.

Application Process: Applications will be made available on the City's Economic Development website <https://www.fortbraggbiz.com/> and at City Hall. Applicants must complete the City's application form and provide all required documentation. Following submission of a complete application, applicants will be interviewed via phone and onsite by the loan underwriter. Additional information or documents may be requested. Loan proposals will be considered by the Loan Advisory Committee, which consists of City staff and local banking staff. If a loan is approved, funds will be disbursed following execution of all loan documents.

Repayment: Principal and interest collected from the BALP will be retained in the City's CDBG Program Income account, to be used for eligible CDBG activities as agreed upon with HCD.

Marketing Initiation: Following adoption of the Program Guidelines by City Council resolution, program staff will begin marketing the program to the public and local for-profit businesses.

Program Summary: Even with the proposed interest rate increase, the program remains more flexible and accessible than acquiring a typical bank loan. The BALP is open to startups, which are often precluded from other loan programs. The City's ability to take a junior lien position allows applicants to leverage other funds, including bank loans, for larger projects that may require additional funding above the BALP maximum.

Professional Services Agreement

Professional Services for Loan Underwriting: Loan underwriting services are necessary for program operation. Loan underwriters are also available for technical assistance as needed. The City procured the services of Parker, Lucas, & Associates, dba Community Development Services (CDS), as the result of a CDBG-compliant Request for Proposals for the BALP in 2021. In 2024, the contract with CDS was amended to include services for the Boost program. The City indicated the intent to continue utilizing CDS services for CDBG loans in the 2024 CDBG application to use CDBG Program Income funds. The contract with CDS is currently set to expire on December 31, 2026. Staff recommends amending the contract to (1) extend the expiration date to October 22, 2028, to allow for services through program closeout, and (2) increase the NTE amount by \$66,000 to a total of \$247,351 (this total also includes prior services related to CDBG and Boost). CDS staff have provided satisfactory underwriting services and possess knowledge of both the CDBG program and other lending sources; their expertise would provide continuity among the City's active loan programs.

Alternatively, the Council could choose not to amend the contract and instead, direct staff to prepare a Request for Proposals for underwriting services. This would delay loan disbursement for early applicants; staff could still accept applications during the RFP process but would not be able complete any loans until procurement was completed.

FISCAL IMPACT/FUNDING SOURCE

The BALP will be fully funded through the CDBG Program Income award 24-CDBG-PI-ED-20005. Expenditures will be reported to HCD quarterly and reimbursed from the City's Program Income account. Loan repayments and fees collected will be held in the City's Program Income account for expenditure as approved by HCD.

ENVIRONMENTAL ANALYSIS:

Environmental impacts will be negligible.

The program activity is considered Categorical Excluded from National Environmental Protection Act (NEPA) review Not Subject To 58.5 per 24 CFR 58.35(b)(4) and is exempt from California Environmental Quality Act pursuant to the common sense exemption 15061(b)(3). It can be seen with certainty that this program will not have a significant impact on the environment.

General Administration is considered Exempt from NEPA review per 24 CFR 58.34(a)(3).

STRATEGIC PLAN/COUNCIL PRIORITIES/GENERAL PLAN 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 Fort Bragg City Council Priority Areas.

The BALP supports the *Strategic Plan 2024-2028+ Goal 1: Invigorate Economic Opportunity and Community Vibrancy*. Utilizing CDBG funds allows the City to provide the otherwise unavailable BALP to business owners, supporting low-moderate income residents both directly through job creation/retention and indirectly by strengthening economic vitality.

COMMUNITY OUTREACH

This activity was selected for the City's Program Income application following duly noticed public hearings on July 8, 2024 and July 22, 2024.

Public input is solicited regarding the proposed program guidelines at today's public hearing, which was also duly noticed.

ALTERNATIVES:

1. Amend the Program Guidelines prior to adoption.

ATTACHMENTS:

1. Resolution
2. Program Guidelines
3. Amendment No. 3 to CDS PSA
4. Amendment No. 3 to CDS PSA – Exhibit A
5. Public Hearing Notices

NOTIFICATION:

CDBG Activities "Notify Me" subscriber list