



## CITY COUNCIL STAFF REPORT

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**TO:** City Council

**DATE:** November 10, 2025

**DEPARTMENT:** Economic Development Department

**PREPARED BY:** Lacy Sallas, Grants Coordinator

**PRESENTER:** Lacy Sallas, Grants Coordinator

**AGENDA TITLE: RECEIVE A REPORT, HOLD A PUBLIC HEARING, AND PROVIDE DIRECTION TO STAFF REGARDING 2025 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM APPLICATIONS**

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### RECOMMENDATION

Following the report and public hearing, provide directions to staff prioritizing activities for potential applications for funding from the CDBG program.

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### BACKGROUND

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 State 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 2025 Notice of Funding Availability (NOFA) was released on September 30, 2025. 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 NOFA. After considering the information received from the public, City Council may direct staff regarding application preparation for the 2025 NOFA. Applications will be accepted by HCD from December 1, 2025, through January 30, 2026. Another public hearing will be held to solicit further public input regarding the selected activities prior to application submittal.

### DISCUSSION AND 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.

AGENDA ITEM NO. 7A

“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 document entitled Matrix Code Categories, listing eligible activities is included herein as Attachment 2. A table entitled Accomplishment Matrix linking Matrix Codes to allowable National Objective Codes is included herein as Attachment 3. These tools may helpful in determining how a proposed project or program fits into the CDBG program.

Below are HCD’s current CDBG household income limits, effective June 1, 2025 and updated annually:

Persons in Household	1	2	3	4	5	6	7	8
Extremely Low 30%	\$19,750	\$22,550	\$25,350	\$28,150	\$30,450	\$32,700	\$34,950	\$37,200
Low 50%	\$32,900	\$37,600	\$42,300	\$46,950	\$50,750	\$54,500	\$58,250	\$62,000
60% Limit	\$39,480	\$45,120	\$50,760	\$56,340	\$60,900	\$65,400	\$69,900	\$74,400
Moderate 80%	\$52,600	\$60,100	\$67,600	\$75,100	\$81,150	\$87,150	\$93,150	\$99,150

City Eligibility

A grantee must have expended at least 50% of an existing award by the date the application portal opens (December 1, 2025) in order to be eligible to apply for a like project or program under this NOFA. The City has two active awards for (1) a Utility Bill Assistance Program and (2) a Business Assistance Loan Program. As these contracts were recently executed, it is highly unlikely that either award will be over 50% expended prior to December 1, 2025. Therefore, the City will likely be ineligible to apply for a public services activity or an economic development program.

Application Types

There are three types of applications allowable under in this NOFA:

1. Project (Housing, Public Facilities, Infrastructure Projects)
2. Program (Housing and Economic Development Programs)
3. Public Services and Planning

The application process will be competitive – applications will be accepted from December 1, 2025, until January 30, 2026 and will be ranked, scored and awarded accordingly. This differs from the prior NOFA, under which Projects and Programs were Over-the-Counter and awarded on a first-come, first-served basis.

Planning Related to Another Activity

Of significant note, planning applications that are related to another activity must result in fulfillment of the related National Objective in order to meet CDBG requirements. For instance, a Fire Station Planning grant resulting in bid-ready plans and specifications would need to result in construction of the Fire Station in order to meet a National Objective. In addition, CDBG cannot be the sole source of funding for the project. Planning grants related to another activity that do not result in fulfillment of the related National Objective will be subject to repayment. Planning related to Another Activity applications must be approved by CDBG program staff prior to application. As part of this request for approval, we would have to provide an explanation of project feasibility. Should the City Council direct staff to prioritize such an application, approval from CDBG staff will be sought immediately. If not approved, staff will adjust the applications appropriately, according to priority and feasibility.

Funding limits per project type:

Applicants may submit up to three applications and the total jurisdiction limit is \$3.6 million.

Application Type	Funding Limit
Project (Public Facilities and Infrastructure)	\$3.3 Million*
Program (Housing Programs (can include Code Enforcement, Homebuyer, and Rehab) and ED Programs (can include Microenterprise and For-Profit))	\$1.5 million
Planning	\$300,000
Public Services	\$300,000

\*Note: as the jurisdiction is limited to \$3.6 million total, the amount may need to be reduced accordingly if applying for a Project with another application(s).

Potential Application Combinations

1 Project + 1 Program + 1 Public Service or Planning -OR-

1 Project + 2 Public Service or Planning -OR-

1 Program + 2 Public Service or Planning

Note: 2 Project, 2 Program, or 3 Public Services, or 3 Planning 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 aggregate amount of all three applications must not exceed \$3.6 million:

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

**Potential Project Applications for Consideration:**

**1. Fire Station Reconstruction (North Wing):**

Plans and specifications are complete and can be updated to meet CDBG standards (dated within 90 days). CEQA and NEPA reviews are complete. In the 2024 cycle, the City submitted a CDBG application to serve as the 25% match for a Cal OES Hazard Mitigation Grant Program (HMGP) request. Due to timing issues and oversubscription of the 2024 NOFA, the CDBG application was not funded, and HMGP subsequently deactivated our application.

The updated engineer’s estimate, inclusive of inflation, is approximately \$3.3 million—making this project an ideal fit for the maximum CDBG project allocation. While the \$3.3 million covers Construction Costs, Construction Management, and Inspection Services, it does not include contingency. Staff recommend a City match of \$330,000 (10%) to strengthen competitiveness and ensure coverage of potential cost increases during construction. With this match, the project meets the CDBG threshold requirement for full funding.

This project is shovel-ready with minimal modifications required, and staff have already incorporated it into the Capital Outlay planning for the year. Because the application was previously developed and submitted, it is the most complete among

all potential projects, requiring limited staff effort to finalize. Staff are confident in timely submittal and successful execution.

The project has both Housing and Economic Development nexus, and as an operational fire station serving a predominantly low- and moderate-income area, it meets the Low-Moderate Income Area (LMA) National Objective. Its completion would directly enhance public safety and community resilience.

## **2. City-Wide Sidewalk Rehabilitation Project:**

This proposed project would remove and replace deteriorated sidewalk segments across the City, addressing long-standing safety, accessibility, and aesthetic concerns. The scope combines locations identified in the 2022 sidewalk system inventory conducted by Precision Concrete Cutting (PCC)—which documented approximately \$1.2 million in removal and replacement (R&R) needs—with additional segments identified through recent infrastructure assessments. The total estimated cost is approximately \$3.3 million.

Unlike PCC’s annual concrete shaving contracts, which address minor surface lifts, this project targets full-depth R&R locations that will not be addressed through routine maintenance. The combined scope represents a system-wide rehabilitation effort that would restore safe pedestrian access and improve the visual integrity of the City’s public infrastructure.

Plans and specifications are not yet complete; however, staff would utilize the City’s On-Call engineering services team to prepare a “Quick Build” set of plans and specifications. The project will require CEQA and NEPA review and must meet all CDBG readiness and threshold requirements prior to submittal. Staff anticipate a significant time investment to prepare this application for the current funding cycle.

This project has an Economic Development nexus, as improved pedestrian infrastructure supports commercial activity, enhances access to local businesses, and contributes to a livable, walkable community. It meets the Low-Moderate Income Area (LMA) National Objective and aligns with the City’s strategic goals for infrastructure resilience and equity.

## **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, plus an adjustment for inflation. 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.

#### **5. Trash Capture Device Construction Phase I:**

Plans and specifications for this project are currently underway, but are not expected to be complete until Fall 2026, making it a strong candidate for future CDBG funding cycles. CEQA is completed, and NEPA review would be completed prior to the application. While the project is unlikely to meet readiness thresholds for the 2025 round, staff have included it as a potential alternate should other applications encounter issues or if the application window is extended due to federal delays. This also serves as an early signal for Council consideration in 2026.

This grant would support the construction of nine trash capture devices within existing storm drain infrastructure. These devices are designed to intercept and prevent trash from entering receiving water bodies, directly supporting water quality and environmental health. The estimated construction cost for the nine devices is approximately \$950,000–\$1 million (escalated from a 2024 estimate of \$770,000 to reflect anticipated 2027 costs, including contingency and construction management). The remaining five devices—due to depth, pipe size, and location—are significantly more complex and bring the total system cost closer to \$4.6 million.

State Water Board regulations require full system installation by 2030. The current design effort will advance 9 of the 14 required devices, representing meaningful progress toward compliance. The scope was scaled to match available funding in the City's stormwater capacity and impact fee account, which was fully allocated to design work. This phased approach reflects the City's commitment to meeting regulatory timelines while managing limited resources.

This project has a Housing nexus, as it protects water quality and public health for residents across the community. It meets the Low-Moderate Income Area (LMA) National Objective and aligns with long-term infrastructure and environmental stewardship goals.

#### **Potential Program Applications for Consideration:**

##### **1. Housing Combination Program:**

This would provide funds for up to five program activities rolled into one award, including:

- a. Housing Rehabilitation (Single Family: 1-4 units);
- b. Energy Efficiency Improvements (Single Family: 1-4 units);
- c. Homeownership Assistance (Single Family: 1-4 units);
- d. Housing Counseling; and
- e. Code Enforcement.

We could exclude any of the activities listed above and allocate funds amongst the selected activities as we choose, putting focus on the activities that may most benefit our community. We could include a Single Family Housing Rehabilitation program, in which the owner (who must reside in the house) is verified low- moderate income, and/or 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. In the 2024 NOFA, Code Enforcement was not allowed as a standalone activity and HCD specified that Code Enforcement could only be funded at a \$1:\$2.50 ratio of Code Enforcement to Housing Rehabilitation funds; this was not specified in the 2025 NOFA but operating under this assumption would be prudent. This program has a Housing nexus, as this would directly improve the quality of housing stock, and meets the LMC National Objective.

### **Potential Planning Applications for Consideration:**

#### **1. Trash Capture Device Design Phase II:**

This planning grant would fund the preparation of 100% plans and specifications for the remaining five high-flow capacity (HFC) trash capture devices required to complete the citywide system. These five devices are the most technically complex—due to depth, pipe size, and location—and are estimated to require approximately \$300,000 in design costs. While construction funding has not yet been identified (for Phase I or Phase II), completion of this infrastructure is required by State Water Board regulations by 2030. Advancing design now ensures the City remains on track to meet compliance deadlines and positions the project for future construction funding opportunities, including potential CDBG applications in subsequent cycles. This planning activity supports the phased implementation of a critical environmental infrastructure project and demonstrates proactive progress toward regulatory goals. It has a Housing nexus, as it protects water quality and public health, and meets the Low-Moderate Income Area (LMA) National Objective.

#### **2. City Hall East Planning:**

This planning grant will fund the preparation of plans and specifications for the rehabilitation of City Hall East into a multi-use community space. The project has a clear economic development (ED) nexus, as revitalizing this facility within the Central Business District will enhance downtown vibrancy, attract visitors, and stimulate local economic activity. The activity qualifies under the Low- and Moderate-Income Area (LMA) National Objective. This planning effort should only be pursued if potential construction funding sources—both within and outside the CDBG program—have been identified to ensure project completion.

### **3. CV Starr Center Expansion – Phase 3: Planning and Design Update**

Originally completed in 2012, the Phase 3 expansion plans envisioned new basketball courts and a commercial kitchen. This planning grant would update those designs to incorporate a dual-purpose Resilience Center component, enhancing community preparedness and emergency response capacity. The planning effort aligns with both economic development and housing goals by supporting future job creation and ensuring the facility can serve residents during times of need, meeting the LMA National Objective. Application for this activity should proceed once potential construction funding sources—both within and outside the CDBG program—are identified.

#### Ineligible / Infeasible Projects

1. Food Bank: Members of the public have suggested funding the Food Bank, and the Food Bank has experienced cuts in funding recently. Funding for food banks is considered a Public Services Activity. As the City has an open Public Services Activity award that will likely not meet the 50% expenditure requirement prior to application, the City will be unable to apply for Food Bank funding under this solicitation.
2. Humane Society: Members of the public have suggested funding the Humane Society, and the Humane Society has experienced cuts in funding recently. Funding for a humane society may be considered a Public Services Activity. As the City has an open Public Services Activity award that will likely not meet the 50% expenditure requirement prior to application, the City will be unable to apply for Humane Society funding under this solicitation.

#### 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 PI, including cash on hand and future receipts up to the amount of \$570,000, encumbered for a Business Assistance Loan Program. For this funding cycle, adding PI to an application is not feasible.

#### Timeline

Applications will be accepted from December 1, 2025 through January 30, 2026. Notification of award is expected by July 2026 and execution of Standard Agreements is expected to begin on a rolling basis in August 2026. Agreements will have a two-year, nine-month expenditure period. Projects or programs funded under this solicitation are therefore expected to take place from approximately August 2026 through May 2029, subject to change based on actual Standard Agreement execution date.

It is unclear how the Federal Government shutdown may affect the above timeline. State CDBG NOFA webinars were originally scheduled to take place in early October, but were postponed and have yet to be rescheduled. City staff are proceeding with the assumption that the timeline will continue as identified in the NOFA.

### **FISCAL IMPACT/FUNDING SOURCE**

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. If awarded, activities will be fully or partially funded through the CDBG program. Potential sources for matching funds as applicable include the City's General Fund.

### **ENVIRONMENTAL ANALYSIS:**

All activities will be subject to National Environmental Protection Act (NEPA) review and California Environmental Quality Act (CEQA) review, as applicable.

### **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.

Applying for CDBG funding is consistent the *2019 Housing Element Goal H-2: Expand affordable housing opportunities for persons with special housing needs such as the elderly, the disabled, households with very low to moderate incomes, and first time home buyers.* Providing financial assistance to very low-moderate income households supports affordable housing indirectly by directing assistance to utilities, which may in turn help those households direct their limited funds toward housing.

Applying for CDBG funding is consistent with the *Strategic Plan 2024-2028+ Goal 5: Fund our Future with Financial and Fiscal Responsibility; 5B. Identify strategic partnerships to share investments and costs through a variety of models.* Utilizing CDBG funds allows the City to complete otherwise unattainable activities to benefit low-moderate income residents.

### **COMMUNITY OUTREACH**

Public input was solicited regarding potential activities at a duly noticed public meetings on the following dates: April 29, 2025, and October 22, 2025.

Public input is solicited regarding potential activities at today's public hearing, which was also duly noticed.

Public input will be solicited at an additional duly noticed public hearing prior to application submittal.

**ALTERNATIVES:**

1. Direct staff not to prepare any applications for funding under the 2025 CDBG NOFA.
2. Direct staff to pursue other activities under the 2025 CDBG NOFA.

**ATTACHMENTS:**

1. 2025 CDBG NOFA
2. Matrix Code Categories
3. Accomplishment Matrix
4. Public Hearing Notices

**NOTIFICATION:**

CDBG Activities "Notify Me" subscriber list