



AGENCY: City Council  
MEETING DATE: October 15, 2024  
DEPARTMENT: Economic Development  
PRESENTED BY: L. Sallas  
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## AGENDA ITEM SUMMARY

### **TITLE:**

**RECEIVE REPORT, CONDUCT PUBLIC HEARING, AND CONSIDER ADOPTION OF A CITY COUNCIL RESOLUTION APPROVING AN APPLICATION FOR FUNDING AND THE EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM THE 2024 FUNDING YEAR OF THE STATE CDBG PROGRAM**

### **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 City held a design phase hearing during a regular meeting of the City Council on July 8, 2024, in order to give the public an opportunity to comment regarding potential projects and programs for CDBG applications. At this meeting, staff brought several activities for consideration. As discussed at the public hearing, and described in more detail in the Design Phase staff report, the city may apply for up to one OTC Project for a maximum of \$3.3 million, up to one OTC Program for a maximum of \$1.5 million, and up to two Competitive activities for a maximum of \$300,000 each; in total, the jurisdiction may only apply for up to \$3.6 million and may only apply for up to three activities. After receiving public comment and holding discussion, the Council directed to staff to prepare the following applications for the 2024 solicitation:

1. Fire Station Reconstruction (Over-the-Counter (OTC) Project)  
Alternate: Broadband Infrastructure Construction
2. Housing Combination Program (OTC Program)  
Alternate: Business Assistance Loan Program
3. CV Starr Planning (Competitive)  
Alternate: Utility Bill Assistance Program

The 2024 Notice of Funding Availability (NOFA) was released on August 30, 2024, announcing the availability of approximately \$34 million for the CDBG program. The application portal is set to open on October 29, 2024 at 9:00 AM. Competitive applications will be accepted until the portal closes on December 30, 2024 at 3:00 PM, and will be rated and ranked, and awarded accordingly. OTC applications will be accepted until all funds are exhausted or the December 30, 2024 deadline, whichever occurs first. Funding will likely be highly competitive for both OTC and Competitive tranches, making timely submittal of utmost

importance for OTC applications. A public hearing must be held before submittal of an application, to allow the public an opportunity to provide feedback regarding the proposed application. Following the public hearing, Council may consider adopting a resolution approving the application and authorizing the Mayor to execute the contract and any amendments thereto.

## **ANALYSIS:**

### **CDBG 2024 Application Process**

HCD staff have been attempting to streamline CDBG processes; under the 2024 NOFA, a jurisdiction will submit one Main Application, including documents common to all activities and General Administration budget, and one Sub Application per Matrix Code, including activity-specific budgets and documents. For the activities selected by the City Council, staff will submit six Sub Applications – one for the OTC Project, four for the OTC Program, and one for the Competitive activity.

### **CDBG 2024 Application Budget**

Following is the proposed budget for the 2024 CDBG application:

<b>Activity</b>	<b>Activity Costs</b>	<b>GA Costs</b>	<b>Total</b>
Fire Station Reconstruction	\$948,784	\$66,415	\$1,015,199
Homeownership Assistance	\$373,832	\$26,168	\$400,000
Housing Rehabilitation (Single Family)	\$654,206	\$45,794	\$700,000
Energy Efficiency Improvements (Single Family)	\$112,150	\$7,850	\$120,000
Code Enforcement	\$261,682	\$18,318	\$280,000
Utility Bill Assistance Program	\$280,374	\$19,626	\$300,000
<b>Total</b>	<b>\$2,631,028</b>	<b>\$184,171</b>	<b>\$2,815,199</b>

### **Activity**

Activity costs include direct costs associated with completing the activity (e.g. housing loans or construction costs) and Activity Delivery (AD) costs; AD costs include staff and consultant expenses in support of the specific activity (e.g. application processing, loan underwriting, or construction management). There is no specific cap on AD costs, though costs of less than twenty-five percent (25%) of the total activity cost is recommended as a reasonable amount. This year, HCD requires applicants to list Activity costs per Matrix Code, and to list General Administration costs for all activities as one line item. Following are detailed descriptions of the activities included in the 2024 application budget:

#### **1. Fire Station Reconstruction (OTC Project)**

The total cost of the reconstruction of the north wing of the Fire Station is estimated at \$3,795,136 (including construction, construction management, and project management). \$948,784 in CDBG funding will serve as the required matching funds for \$2,846,352 in California Governor's Office of Emergency Services (CalOES) Hazard Mitigation Grant Program (HMGP) funding. The HMGP grant application has been submitted, and City staff have consulted with staff from both CalOES and HCD to determine that, if awarded, the timelines for both funding source will align. Leveraging funding sources will allow the City to complete the project. This project has both a Housing and Economic Development 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. Completion of this project will benefit the entire City population of 7,090. As the City is over 62% low-moderate income per 2016-2020 American Community Survey (ACS) data, this grant would benefit approximately 4,430 low-moderate income persons.

2. Housing Combination Program (OTC Program)

- a. Homeownership Assistance: This program would providing funds to income-eligible households to purchase an existing or newly constructed home. The intent is for the program to primarily benefit first-time homebuyers, with other income-eligible homebuyers considered on a case-by-case basis. If awarded, the City will update Program Guidelines, and the City may specify in the adopted Program Guidelines whether the program will be restricted to first-time homeowners or whether it will be available to any homeowner who income-qualifies. The City attempted to implement such a program circa 2012, and was awarded CDBG grant funds to do so, but later amended the grant contract to move the funding to a Housing Rehabilitation program. CDBG funds may be used to provide direct homeownership assistance, including:
  - Provide up to 50 percent of required down payment;
  - Pay any or all of the reasonable closing costs;
  - Provide all or part of the premium for mortgage insurance required up-front by a private lender;
  - Provide principal write-down assistance;
  - Subsidize interest rates;
  - Finance acquisition; and
  - Acquire guarantees for mortgage financing from private lenders (i.e., assist homeowners with private mortgage insurance).
- b. Housing Rehabilitation: This program is meant to expand the supply of decent, safe, sanitary and affordable housing; to correct health and safety hazards in deteriorated housing; and to extend the useful life of existing housing units. Loans and grants are available to achieve cost effective repairs for low-income owner-occupied homes or for units occupied by low-income tenants of owner-investors jurisdiction wide. Under the 2024 NOFA, only Single Family (1-4 units) Housing Rehabilitation is allowed; Multi-Family Housing Rehabilitation is not an eligible activity at this time. The City operated a CDBG-funded Housing Rehabilitation program several times throughout recent decades; if awarded, the Council would need to update the existing Program Guidelines with any updates required by CDBG. This program would provide assistance as grants, forgivable loans, deferred loans, or amortizing loans, and the housing units would be restricted as affordable for a minimum of five years. While is it not expected, it is possible for some cases to require displacement and relocation for the safety of occupants during construction or remediation. In the case of displacement due to CDBG activities, the City will follow CDBG displacement and relocation procedures.
- c. Energy Efficiency Improvements: This would be part of the housing rehabilitation program, and would allow for energy-efficiency improvements to homes of income-qualifying residents. This part of the program is included separately from

the larger Housing Rehabilitation program because the CDBG program tracks energy efficiency improvements under a separate Matrix Code.

- d. Code Enforcement: Pursuant to the 2024 NOFA, Code Enforcement is only an allowable activity if the jurisdiction either has housing rehabilitation funding available already or is applying for housing rehabilitation funding under this NOFA. Further, for every \$1.00 of Code Enforcement funding, the jurisdiction must either have available or apply for at least \$2.50 in housing rehabilitation funds. The Code Enforcement Program (CEP) funded by CDBG must focus on health and safety issues in buildings and structures. The City's CEP application will comply with the \$1.00:\$2.50 ratio, as the City is seeking funding for training, equipment, and 50% of a Code Enforcement Officer's salary, as well as anticipated building inspection costs related to single family health and safety issues for the two-year, nine month expenditure term of the grant.

Residents participating in the housing programs would be required to meet CDBG household income limits. 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

As noted by HCD staff during CDBG Office Hours, allowing multiple activities with different, but related, Matrix Codes to be included in one OTC program application will make moving funding between activities simpler. For instance, if the City's Homeownership program is undersubscribed, while the Rehabilitation program is oversubscribed, the City will be able to move unspent funding from the Homeownership program to the Rehabilitation program, allowing the City to respond to evolving community needs. In the case of reducing funding for the Rehabilitation program, staff would need to be mindful of remaining within the required CEP:Rehabilitation ratio. This program has a Housing nexus, as this would directly improve the quality of housing stock and make housing more accessible to low-moderate income residents, and all components of the program, aside from CEP, meet the Low-Moderate Income Housing (LMH) National Objective, meaning that 100% of beneficiaries would qualify as low-moderate income under these program activities. The CEP meets the LMA National Objective.

### 3. Utility Bill Assistance Program

CV Starr Planning was identified as the Council's first priority activity for the Competitive tranche (Planning or Public Services). The proposed activity would allow the City to contract with a design firm to produce 30% plans and specifications for the CV Starr Community

Center Phase III expansion; the sections of the facility to be constructed under Phase III will serve as a community resiliency center during times of disaster or emergency, providing community members with shelter and access to necessities.. At the present time, the cost of construction for the Phase III expansion is estimated at approximately \$15,000,000, and the cost of 100% plans and specifications for the project is estimated at approximately \$1,500,000. The intent was that CDBG funds would help to fill the planning gap by providing the City with 30% plans and specifications, which would then make the project viable for application under other funding sources. This was initially thought to be a viable application; however, at HCD Office Hours on October 2, 2024, CDBG staff indicated that only planning projects seeking 100% plans and specifications would be eligible under this NOFA. City staff convened with CDBG staff to confirm the eligibility status of the project, and it was determined to be ineligible at this time. For this reason, the alternate Competitive activity identified by Council on July 8, 2024 has been included in its stead:

\$280,374 in CDBG funding will be used to restart the City's Utility Bill Assistance Program (UBAP), which provides direct payments to utility providers on behalf of income-qualifying residents. If awarded, program guidelines will be updates with any new requirements, and COVID-19 specific requirements removed. This program has a Housing nexus, as subsistence payments can help keep essential utilities on for households in need, and meets the Low-Moderate Income Clientele (LMC) National Objective. 100% of beneficiaries would be in the low-moderate income group.

#### 4. General Administration

General Administration (GA) allows for ongoing administration of the CDBG program and includes any allowable expense for a CDBG-eligible activity. Under the annual CDBG funding cycle, GA is typically capped at seven percent (7%) of the total award. GA for the proposed activities will be \$184,172.

#### Program Income

Program Income (PI) is earned when loans made with CDBG funds are repaid. The City holds this PI in a separate account, and may be used for CDBG-eligible activities, once approved by HCD. The City has applied to use existing and future Program Income in an amount not to exceed \$570,000 for continuation of the Business Assistance Loan Program (BALP). Once a contract is executed with HCD, the City may begin expending these funds for the standard contract period of two years and nine months. If the City is awarded funds for the Housing Combination Program discussed above, repayment of housing-related loans may result in accrual of additional future PI. Depending upon accrual and expenditure rate, the City may consider amending an open contract to add PI funding, or apply any additional PI to a future grant application.

#### **RECOMMENDED ACTION:**

Conduct the Public Hearing and adopt a City Council resolution approving an application for funding and the execution of a grant agreement and any amendments thereto from the 2024 funding year of the State CDBG program.

#### **ALTERNATIVE ACTION(S):**

Conduct the Public Hearing and direct staff not to prepare an application for 2024 CDBG solicitation. The City would next be eligible to apply under the 2025 CDBG solicitation, expected to be released mid-2025.

**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, as well as the proposed activities under the 2024 solicitation, are consistent with the following goals from City's Strategic Plan 2024-2028+, adopted August 12, 2024:

Goal 1: Invigorate Economic Opportunity and Community Vibrancy; Objective 1E: Develop affordable and market-rate housing that is accessible for every arc of residents' lifetime experiences including Fort Bragg's permanent and temporary workforce, students, retirees, and newcomers who want to share our rich cultural and natural home. (Housing Combination Program) (Utility Assistance Program)

Goal 3: Strengthen Public Safety and Emergency Preparedness; Objective 3C: Identify and build more accessible emergency response stations (e.g. fire, ambulance, police) that are less vulnerable to changing climate conditions (i.e. firehouse seismic retrofit) and consider co-located micro stations as the city expands. (Fire Station Reconstruction)

**IMPLEMENTATION/TIMEFRAMES:**

If, after holding the Public Hearing, Council adopts the proposed resolution, staff will submit an application for the 2024 CDBG solicitation as soon as possible following application portal opening on October 29, 2024. The portal closes on December 30, 2024. If awarded, the resulting contract(s) will be for a three-year term, with an expenditure period of two years and nine months. HCD anticipates executing contracts with grantees for Competitive projects in May 2025 and for OTC projects and programs on a rolling basis beginning in May 2025. Following this timeframe, awarded activities would likely be completed by approximately February 2028, or sooner, depending upon rate of expenditures.

**ATTACHMENTS:**

1. 2024 Community Development Block Grant Program Notice of Funding Availability
2. Proposed Resolution Approving Application Submittal
3. Exhibit A - Proposed Resolution Approving Application Submittal – CDBG Required Format
4. Public Hearing Notice for Application Submittal (English)
5. Public Hearing Notice for Application Submittal (Spanish)

**NOTIFICATION:**

1. CDBG “Notify Me” Subscribers