



AGENCY:	City Council
MEETING DATE:	July 11, 2016
DEPARTMENT:	CDD
PRESENTED BY:	J. Owen

AGENDA ITEM SUMMARY REPORT

TITLE:

RECEIVE REPORT, CONDUCT PUBLIC HEARING, AND CONSIDER ADOPTION OF CITY COUNCIL RESOLUTION APPROVING AN APPLICATION FOR FUNDING AND EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM THE 2016 FUNDING YEAR OF THE STATE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

ISSUE:

On June 13, 2016, staff reported to City Council regarding the 2016 Community Development Block Grant (CDBG) Notice of Funding Availability (NOFA), which was released on May 17, 2016. The 2016 CDBG application is due July 27, 2016. The City of Fort Bragg is eligible to apply for the 2016 cycle because more than 50% of the City's 2014 Super-NOFA grant will have been expended by the application date. On June 13, 2016, the City Council directed staff to prepare an application for CDBG funding for the following activities:

- (1) Combination Economic Development Allocation Activity totaling \$372,092, consisting of a Microenterprise Assistance Program to include Technical Assistance, Financial Assistance, and Support Services for up to \$216,743 including allowable Activity Delivery; and a Business Assistance Loan Program for up to \$155,349 including allowable Activity Delivery;
- (2) Public Improvement Activity comprised of the Water Tank Replacement Project of up to \$1,395,349 including allowable Activity Delivery Funding;
- (3) Two Economic Development Planning and Technical Assistance Activities including a Mill Site Specific Plan of up to \$46,512 and an Economic Development Strategy Implementation Plan of up to \$46,512;
- (4) General Administration funding as allowed for each funded activity, up to 7.5% or \$139,535 if all activities are funded; and
- (5) If any activities are funded, the application will include two Supplemental Activities to be funded during the expenditure period of the grant, including a Housing Rehabilitation Project at Glass Beach Apartments and up to two Slip-Line Installation Projects at up to two eligible residential neighborhoods within Fort Bragg city limits.

If the City Council wishes to proceed with the application, a public hearing must be held and a resolution authorizing submittal of the application must be approved.

RECOMMENDED ACTION:

Adopt City Council Resolution Approving a 2016 Application for up to \$2,000,000 of Funds and Execution of a Grant Agreement and any Amendments Thereto from the 2016 Funding Year of the State Community Development Block Grant (CDBG) Program.

ALTERNATIVE ACTION(S):

1. No action. Under this alternative, the City would not submit a CDBG General Allocation application.
2. Provide direction to staff to modify the specific dollar amounts allocated to grant activities. This

would require a new Public Hearing with posting of new amounts, and because there is not adequate time for the required ten day posting period, no application could be submitted.

ANALYSIS:

The CDBG application is released by the State Department of Housing and Community Development (HCD). The 2016 application is the fifth cycle of the CDBG "Super-NOFA" that includes all CDBG activities in one application. As described in greater detail in the June 13, 2016, staff report, the 2016 Super-NOFA provides approximately \$27 million for funding year 2016. The 2016 NOFA is available only for approximately 260 non-entitlement jurisdictions, including incorporated cities that are under 50,000 in population and counties with unincorporated area population of under 200,000 persons. Only jurisdictions that have expended at least 50% of prior CDBG grants can apply under the 2016 NOFA. The City of Fort Bragg is eligible to apply for the 2016 funding.

All CDBG activities must meet one of three National Objectives, including (1) benefit to low- and moderate-income persons; or (2) prevention or elimination of slums or blight; or (3) urgent need. The most commonly used National Objective is benefit to low- and moderate-income individuals or households (LMI).

Grant applications are ranked using a points-based system that includes both objective scoring of the project itself and relative scoring of the project in comparison to all other grant applications submitted. A jurisdiction's applications are not rated and ranked in their entirety, but rather individual activities are rated and ranked against similar activities only. As a result, any, all or none of a jurisdiction's activities may be awarded.

In order to ensure public involvement in activities selected for grant applications, a public process is required. On November 16, 2015, staff held the mandatory annual CDBG Design Phase Public Hearing. Announcements of the meeting were published in the Fort Bragg Advocate News; emailed to a list of 44 local non-profit organizations; sent to the City's Press Release media list; posted on Facebook; posted on the City website; and sent to 113 email addresses on the City's CDBG "Notify Me" list. In addition, the Public Hearing notice and press release were translated into Spanish and posted at various venues throughout Fort Bragg.

A total of eight individuals attended the public hearing, including representatives of four non-profit organizations and four private individuals. A total of 11 preliminary applications for grant activities from non-profit entities were received. Of those, five activities were withdrawn by the applicants because they are not ready for implementation. In addition, 11 City activities were identified for consideration.

At the December 14, 2015, City Council meeting, staff provided City Council with the then-current list of activities in order to request direction on preliminary priorities. On June 13, 2016, staff returned to City Council with a list of eligible activities and analysis of likelihood of award. City Council directed staff to prepare an application designed to meet community needs and to maximize the application's competitive standing, to include the following activities:

- 1. Combination Economic Development Allocation Activity totaling \$372,092, consisting of a Microenterprise Assistance Program to include Technical Assistance, Financial Assistance, and Support Services for up to \$216,743 including allowable Activity Delivery; and a Business Assistance Loan Program for up to \$155,349 including allowable Activity Delivery:**

The "Combo" activity allows transfer of funds with HCD approval between the Microenterprise Assistance and Business Assistance Programs without a grant amendment. The Microenterprise Assistance Program will include Technical Assistance, Support Services,

Financial Assistance (micro-grants and loans). CDBG staff has explained that funding may be re-allocated between microenterprise activities after award, if necessary based on local needs. The provision of Technical Assistance is guided by existing Technical Assistance Program Guidelines and will include one-on-one and group assistance through development of client-specific work plans and goals, development and implementation of a variety of training courses, business consulting and coaching, loan application referral, and other services as needed for low- and moderate-income persons who operate or propose to operate businesses that employ five or fewer persons (including the owner). Support Services are guided by Support Services Program Guidelines and can only be offered in conjunction with either Technical Assistance or Financial Assistance. Examples of eligible support costs include child care, transportation, counseling, and peer support groups. Financial Assistance will be provided per CDBG Micro-Enterprise Financial Assistance Program Guidelines, which allow loans up to \$50,000 or grants up to \$5,000 to clients who meet required training and other CDBG and local eligibility requirements. The City's prior Microenterprise Assistance Programs have been operated by West Company for several years. If the program is funded, the City will be required to undertake a CDBG-compliant procurement process to contract with a Program Operator.

2. Public Improvement Activity comprised of the Water Tank Replacement Project, up to \$1,245,847 including allowable Activity Delivery Funding.

Jurisdictions may apply for up to \$1,500,000 (\$1,245,847 after General Administration funding is subtracted) for Public Improvements activities. The allocation includes Activity Delivery funding of up to 12% (\$134,484) as needed for permitting, labor standards, design and/or construction costs. The application requests maximum available funding to install a new water tank. This activity is a high-priority item in the City's Capital Improvement Program. The tank is needed to replace a failing existing tank that was built in 1955 and stores almost half of the City's drinking water. CDBG-funded Public Improvement projects are highly competitive. It is hoped that the City's urgency of need and the importance of new and stable water storage to address on-going drought conditions will allow the City to qualify for up to 100 bonus "State Objective Points" that may be awarded for projects that address of mitigate impacts from a State or federally declared disaster.

3. Two Economic Development Planning and Technical Assistance (PTA) Activities including a Mill Site Specific Plan of up to \$46,512 and an Economic Development Strategy Implementation Plan of up to \$46,512.

Per the CDBG Notice of Funding Availability, jurisdictions may apply for up to two planning activities for maximum funding of \$100,000 (\$93,024 or \$46,512 each for two activities after 7.5% General Administration funding is subtracted). PTA applications count as one of the three major activities in an application. However, they are not ranked and instead are funded "first come, first served" if any other grant activity is awarded, until funds are exhausted. PTA activities require local match of 5%. Per CDBG staff, the 5% is based on the full PTA grant amount including General Administration, so up to \$2,500 per activity or \$5,000 for two PTA activities is required. Staff recommends that match funding should be provided from the General Fund, and the accompanying Resolution (Attachment 1) includes authorization for match funding. City Council recommended an application for the maximum available PTA funding for two activities as follows:

- a. **Mill Site Specific Plan.** City Staff will work with City Council and the community to complete various steps in the Specific Plan process, including review for rezoning of near-term development sites; review and revisions of the Land Use Plan and Specific Plan programs and policies; and revision of the infrastructure plan to incorporate any Land Use Plan revisions.

- b. **Economic Development Strategy Implementation Plan.** The City's 2014 Economic Development Strategy identifies various priorities and strategies for improving economic conditions in the City. Many of the strategies require additional focus, analysis and community input to achieve full implementation. Examples of strategies requiring further planning include development of specific Business Retention and Expansion Plan tasks, development of a Business Attraction Program, development of web and print materials to promote and support Fort Bragg's comparative advantages, and development and encouragement of localization efforts. This activity will be conducted in-house by Community Development staff.

4. **General Administration**

The CDBG program provides up to 7.5% of the total grant amount or up to \$139,535 for General Administration activities, if all activities are funded. This funding is designated for administrative support of this grant if awarded as well as for the administration of the City's entire CDBG program. It is anticipated that the City will retain the General Administrative funding associated with this grant in order to implement activities awarded in this grant cycle and to support the City's other CDBG activities.

5. **Supplemental Activities.**

Jurisdictions may apply for up to three Supplemental Activities in addition to the competitive activities above. These activities are funded by Program Income received during the grant term. Any Program Income on hand must be expended on grant activities before grant funds can be requested. This expenditure of Program Income frees up grant funds, so Supplemental Activities may be identified in the grant application to allow jurisdictions to expend all the "freed up" grant funds. Supplemental Activities are not competitive applications, and if any activity in the grant is awarded, the Supplemental Activities are also awarded. No amount is required to be inserted for Supplemental Activity applications. Supplemental Activities may be any eligible CDBG activity except Planning Activities. Supplemental Activities must be funded and expended within the grant expenditure term. The City receives approximately \$80,000 per year in Program Income that must be expended on Supplemental Activities. At the June 13, 2016 meeting, City Council recommended that the following Supplemental Activities should be included in the application, in the following order of priority:

- a. **Housing Rehabilitation Project at Glass Beach Apartments.** The Community Development Commission (CDC), the County Housing Authority, has requested funding to provide energy efficiency, health and safety repairs at its Glass Beach Apartments located on John Cimolino Way. This is an eligible housing activity that benefits the low-income residents of the apartments. CDC has requested \$75,000 and may provide matching funds.
- b. **Two Slip-Line Installation Projects** at up to two eligible residential neighborhoods within Fort Bragg city limits. The purpose of this activity is to insert a sleeve in sewer collection pipes to reduce leakage in aging and fragile vitrified clay sewer lines. The City has identified and prioritized several areas where slip lining is needed. Each location is considered a separate project for CDBG purposes. As Program Income funding becomes available after the Glass Beach Project is funded, City staff will identify two locations in Fort Bragg's lower-income residential neighborhoods for installation of slip lines. Expenditures on this activity are expected to range between \$75,000 and \$150,000, depending upon availability of funding within the grant expenditure term.

FISCAL IMPACT:

CDBG grants have a very positive fiscal impact on the City because the grants fund important community projects and programs that would otherwise be unfunded or require allocation of limited

General Fund resources. The City's costs to administer the CDBG grant are typically offset by grant administration funds and retained activity delivery funds. Match of 5% is required only for Planning activities; other activities require no match. If microenterprise or business assistance loans are funded, loan repayments are returned to the City as Program Income and are available for future CDBG-eligible activities.

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 February 2015 Goal Setting process including Priority Area 1 "A Healthy Environment" (water and wastewater improvements); Priority Area 2 "A Prosperous Economy" (economic development and affordable housing activities); and Priority Area 3 "An Engaged Community" (partnerships with community groups). The City's 2014 Housing Element includes "provide additional affordable housing" and "maintain and preserve existing housing stock" as two of four broad housing priorities. The City's 2014 Economic Development Strategy includes growing and retaining businesses with business technical support and resources (Strategies 1.1 and 1.2); completion of the Mill Site Specific Plan (Strategy 1.3); efficient water use via natural drainage (Strategy 4.2); and improvement of City infrastructure (Appendix A: Ongoing Priorities).

IMPLEMENTATION/TIMEFRAMES:

If the grant application is approved by City Council, and after the Public Hearing is held, staff will complete the application and submit it by the July 27, 2016, due date. Per the NOFA, awards are to be announced in October 2016. The grant execution process takes 30 to 60 days, and grant Special Conditions must then be cleared, for which up to 90 days is allowed after grant execution date. Funds are expected to be available March 2017. The grant expenditure period is expected to terminate around December 2019.

ATTACHMENTS:

1. Proposed Resolution Authorizing Application Submittal
2. Public Hearing notice for Application Submittal (English)
3. Public Hearing notice for Application Submittal (Spanish)

NOTIFICATION:

1. Pamela Patterson, West Company
2. Craig Schlatter, CDC
3. Subscribers to CDBG Activities "Notify Me" email list

City Clerk's Office Use Only

Agency Action	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied	<input type="checkbox"/> Approved as Amended
Resolution No.:	_____ Ordinance No.: _____		
Moved by:	_____ Seconded by: _____		
Vote:	_____		
<input type="checkbox"/> Deferred/Continued to meeting of:	_____		
<input type="checkbox"/> Referred to:	_____		