



AGENCY:	City Council
MEETING DATE:	Oct. 23, 2017
DEPARTMENT:	Community Development
PRESENTED BY:	J. Owen
EMAIL ADDRESS:	jowen@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND PROVIDE DIRECTION TO STAFF REGARDING 2017 AND 2018 COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATIONS

ISSUE:

Each year, the California Housing and Community Development Department (HCD) receives an allocation from the federal Department of Housing and Urban Development (HUD) for the state Community Development Block Grant (CDBG) program. HCD makes these funds available to eligible jurisdictions through a competitive application process. Before applying for CDBG funding, jurisdictions are required to hold a Design Phase Public Hearing to gather input about community needs for CDBG funding in order to inform City Council's selection of activities for CDBG applications. A Design Phase public hearing was held on October 13, 2017.

At this time, a 2017 CDBG Notice of Funding Availability (NOFA) has been released by HCD, and the City of Fort Bragg is eligible to apply in 2017 only for a "shovel ready project" if specific conditions are met. In addition, the 2018 CDBG NOFA is expected to be released in June 2018, and staff expects that the City of Fort Bragg will be able to apply in 2018.

Staff is seeking City Council's priorities for a specific "shovel ready" project to be included in a 2017 CDBG application. The State CDBG program is currently undergoing a mandated redesign process, and the parameters of the 2018 and future application opportunities are uncertain. However, in order to ensure that the City is ready to apply at the next available opportunity and that potential application activities reflect City Council goals, staff is seeking preliminary input on City Council general priorities for a 2018 CDBG application.

ANALYSIS:

The State CDBG program provides funding on a competitive basis for a variety of housing, community development, and economic development activities. State CDBG funding is available for "non-entitlement" cities with fewer than 50,000 residents and counties with fewer than 200,000 residents. According to CDBG's 2017 NOFA, there are currently 194 eligible jurisdictions in California. The City of Fort Bragg is a non-entitlement city and is generally eligible to apply for CDBG funding under the State CDBG program.

Each year, the State HCD receives a State CDBG funding allocation from HUD. The State program may combine current HUD funding with other available State funding and is required to release an annual Notice of Funding Availability (NOFA) to state the terms under which non-entitlement communities may apply for the funding. The NOFAs describe total available funding, eligible activities, eligibility requirements, and application procedures. Each eligible jurisdiction may apply for a range of activities depending upon limits imposed by each annual NOFA. For the 2017 NOFA, HCD is making \$27 million available for State CDBG applications.

For the past five years, CDBG has issued a "Super NOFA" early in each calendar year with applications due around April. Jurisdictions could generally apply for up to three major activities per grant application. Beginning in 2013, a fifty percent expenditure rule was imposed. As a result of

the fifty percent expenditure rule, jurisdictions could not reapply for CDBG funding until at least fifty percent of all prior grants were expended. At this time, the City of Fort Bragg has a 2016 grant award for which 50% of funding is not expended.

Current CDBG Program Status

California's State CDBG program is currently ranked last in the United States in its expenditure rates, and the state is also delinquent in HUD-required accomplishments reporting as well as state grant closeouts. At the same time, state and federal budget reductions have highlighted the need for the State CDBG program to develop program efficiencies.

HUD has directed the State CDBG program to redesign its program to ensure that funds are expended within expected timelines; that accomplishments are properly tracked and recorded in the HUD database, and that annual grants to the state are closed out with HUD within a reasonable period of time. In response to HUD, HCD and stakeholder concerns, the State Legislature passed a Budget Trailer Bill in 2017 that mandates a major State CDBG Program Redesign in order to streamline and improve program delivery. Jennifer Owen, Special Projects Manager, is one of several experienced CDBG practitioners assigned to the CDBG Redesign Working Group committee to ensure that program changes are consistent with jurisdictions' needs as well as compliant with HUD regulations.

2017 CDBG NOFA

Because the State HCD staff was occupied with HUD and State Legislature negotiations and redesign proposals for most of the year, the 2017 NOFA was not issued until September 1, 2017. Applications are due December 1, 2017. The 2017 NOFA is unusual in that application limits have been significantly increased and the number of allowed activities has been reduced. With higher activity funding limits, HCD hopes to issue fewer awards to minimize the state staff administrative burden. The table below summarizes 2017 NOFA changes as compared to the 2016 NOFA:

Application Parameter	2016 NOFA	2017 NOFA: <i>If 50% of Prior Grants Expended</i>	2017 NOFA: <i>50% Expenditure Waiver Activities</i>
Allowable activities per application	3 activities + up to 2 planning studies	2 activities + 1 planning study	1 "shovel ready" activity
Supplemental (Program Income) Activities	Up to 3 activities	1 activity	None allowed
Total available funding	\$27 million	\$27 million	
Application maximum	\$2 million	\$5 million	
Activities & Maximum awards: Business Assistance, Micro-enterprise Assistance or Combo program	\$300,000 for 1 program or maximum of \$500,000 for Combo program	\$500,000 for 1 program or Combo program	Not allowed
Housing Program (Single-family rehab or purchase assistance)	\$600,000 for 1 Program; \$1M for Combo Program	\$1M for one Program or Combo	Not allowed.
Housing Project	\$1M for MFH Project	\$3M MFH Project	\$3M MFH Project

Application Parameter	2016 NOFA	2017 NOFA: <i>If 50% of Prior Grants Expended</i>	2017 NOFA: 50% <i>Expenditure Waiver Activities</i>
Public Improvement or Public Facility Project	\$1.5 million	\$5 million	\$5 million
Public Service	Up to \$500,000 for up to 3 services	\$500,000 for up to 2 services	Not allowed
Planning Activities	Up to \$100,000 for up to 2 studies	Up to \$100,000 for 1 study	Not allowed.
State Objective Points (100 per application)	1. Active disaster mitigation (100 points); <u>or</u> 2. Activities meeting Urgent Need national objective (100 points)	1. Adoption of disaster resiliency long-term planning (50 points); <u>and</u> 2. Utilization of additional outreach to support Fair Housing goals (50 points).	

2017 Expenditure Waiver Process

Because Fort Bragg has not expended 50% of the 2016 CDBG grant, the City can only apply for one “shovel ready” project pursuant to a 50% Expenditure Waiver. The Waiver application process includes the following steps and requirements:

1. Execution of Request for Waiver Form (submitted with application)
2. Citizen Participation Requirement: Request for Waiver must be included in pre-application Public Hearing Notice.
3. Authorizing Resolution must acknowledge that the jurisdiction is requesting a waiver and will comply with terms of the waiver.
4. Project must meet Readiness Criteria through submittal of documentation of site control, budget and funding commitments (if non-CDBG funding will be used), design procurement, preliminary plans, scope of work, and work schedule.
6. Special Conditions will apply if funded including submittal of the following:
 - Within 30 days of executed Grant Agreement: updated project schedule;
 - Within 6 months of executed Grant Agreement: procurement of all project consultants and services;
 - Within 12 months of executed Grant Agreement: final plans, permits issued, and executed construction contract.

Process for Solicitation of Input for CDBG Applications

Within one year of each CDBG application and prior to submittal of a CDBG application, a Design Phase public hearing must be held. The purpose of the public hearing is to provide an explanation about the CDBG program and upcoming funding opportunities and to solicit input from the community about possible activities to include in upcoming CDBG applications. The Design Phase public hearings are not required to be held before the City Council.

On September 19, 2017, City Council provided direction to pursue CDBG funding in support of the off-site infrastructure improvements for the Danco affordable senior housing project proposed for South Street. After many conversations with CDBG and involvement of our state representatives in the discussion, CDBG informed us that they would not consider an affordable housing project

“shovel ready” if it was financed in part with 9% tax credits that have not yet been awarded. CDBG’s rationale is that the 9% tax credits are highly competitive and preclude a “shovel ready” status. For the Danco project, the City’s CDBG funding would make the Fort Bragg project highly competitive for the tax credits because it would increase local match. Danco remains motivated to develop senior affordable housing in Fort Bragg and is working with the City to prepare an application for an Infill Infrastructure Grant from HCD for the South Street affordable housing project. This alternative funding source will ensure the project is financially feasible. Danco has experience with this funding source and is optimistic that the funds will be awarded and the project will proceed.

On October 13, 2017, staff held a Design Phase public hearing to discuss the 2017 and 2018 CDBG funding opportunities. The meeting notice was published in the Fort Bragg Advocate, posted in English and Spanish at thirteen different physical locations, announced on the City website, emailed to interested parties listed on City website notifications groups, and emailed to 46 local non-profit organizations. Fourteen individuals attended the October 13, 2017, Design Phase public hearing. At the meeting, staff received one proposal for a “shovel ready” Public Facility project for the 2017 NOFA.

To ensure that City public infrastructure needs are also considered for CDBG applications, staff reviewed the City’s Capital Improvements Program for projects that have funding gaps and that fit CDBG’s parameters. The City’s public works department has submitted two potential CDBG projects, one proposed for a 2017 “shovel ready” sewer project, and one water infrastructure project proposed for a 2018 grant application.

Potential 2017 50% Expenditure Waiver Projects

Staff is seeking direction on which if any of two projects should be first priority for a 2017 “shovel ready” project. The two projects that are expected to meet Expenditure Waiver parameters are:

1. **Sewer Lift Stations Project:** Major reconstruction of 2 sewer pump stations that are at risk of catastrophic failure due to age and constant use in excess of service life (over 40 years old). The lift stations are the North Noyo (440 N Harbor Drive) and South Noyo (19300 S Harbor Drive) Pump Stations. This activity would be applied for as a Public Improvement. Benefit for both lift stations is to the geographic area served by Census Tract/Block 105-4, which is 56.7% low-moderate income. This activity exceeds the CDBG minimum 51% low-moderate income threshold and appears to meet the Expenditure Waiver requirements.

Estimated Total Application: \$830,000

2. **Parents & Friends (PFI) Residential Care Facility for the Elderly (RCFE):** Construction of an assisted-living facility at 350 Cypress Street to serve low-income adults aged 59-1/2 and older who have developmental disabilities and Alzheimer’s/Dementia or other age related conditions. The facility would be comprised of three 2,092 square foot, 4-bedroom, 3-bath residences including 17 parking spaces. This project would require a lot split to separate the existing Mendocino Coast Pharmacy from the care facility. PFI intends to offer the old existing Cypress Street structure for sale and relocation by any interested buyer before demolition is contemplated. The plan does not include removal of Cypress trees currently lining the property’s north Cypress Street border. Because it is an assisted living facility, CDBG considers this project to be a Public Facility not residential construction, and new construction is allowed. The facility would serve only low-income disabled adults, which is a “limited clientele” that is considered 100% low or moderate income. This project appears to meet the Expenditure Waiver requirements.

Estimated total application: \$2.4 million

The table below provides a comparison of cost breakdowns and key ranking criteria for the two potential 2017 projects.

	Lift Stations	PFI Facility
Cost:		
Construction & Contingency	\$681,894	\$2,454,319
Activity Delivery (12%)*	\$ 81,827	\$ 294,518
General Admin (7.5%)	<u>\$ 57,279</u>	<u>\$ 206,163</u>
Total cost	<u>\$821,000</u>	<u>\$2,955,000</u>
Key Rating/Ranking Factors:		
Need	Seriousness of Health & Safety Threat: up to 250 pts	Severity of Problem, Extent of solution, 3 rd Party Documentation: 300 points
Benefit: Up to 75 points each	Project Low-Mod: 56.86% City-wide Low-Mod: 58.19%	Project low-mod: 100% City low-mod: 58.19%

*Activity Delivery includes cost such as development of final plans and specifications, Construction Management and Project Manager, Labor Standards.

2018 Projects

The 2018 NOFA is projected to be released in June 2018. Due to the planned Program Redesign process, parameters for the 2018 application are uncertain. At the October 13, 2017, Design Phase public hearing, various potential activities were discussed but no additional proposals have been received from the public.

Public Works staff has submitted a Raw Water Line Replacement Project as a potential 2018 activity. This project would replace old, unreliable pipes in up to two phases, for a construction cost of approximately \$1,300,000. The project would ensure raw water source reliability for the entire Fort Bragg community. Key rating and ranking factors would likely include Need (Seriousness of Health & Safety Threat) and Readiness (status of preliminary planning, environmental clearances, etc.).

Although staff will continue to seek public input until and after 2018 NOFA parameters are more clear, **staff is seeking general direction from City Council as to types of projects that should be sought as Council priorities.**

The following are categories of activities that are currently allowable in the State CDBG program:

Activity Category	Description	Typical Funding Range
Business Assistance Loans	Subsidized loans for businesses	Up to \$300,000
Microenterprise Assistance Program	Technical assistance, loans and grants for micro entrepreneurs	Up to \$300,000 for 30 month period
Façade Improvement Program	Façade or code-related repairs for businesses (loan/match program)*	TBD – generally up to ½ of cost
Housing rehabilitation program	Low or no cost loans to homeowners for health & safety repairs.	Generally \$35,000 to \$100,000 depending

		on needs & equity
Homeownership assistance program	Silent second loans for income-qualified home buyers	Generally up to \$100,000 depending on funding gap
Public Improvements	Acquisition, construction, installation, rehab of public infrastructure/facilities	Up to \$2 million
Public Facilities	Acquisition, construction, rehab of non-profit facilities	Up to \$2 million
Public Services	Operating costs for new or improved services to qualifying beneficiaries	Up to \$500,000 for 1 to 3 services for 30 month period

* This program is not currently allowed in California.

RECOMMENDED ACTION:

Provide preliminary direction to staff regarding City Council's priorities for activities to be included in the 2017 and 2018 CDBG applications.

ALTERNATIVE ACTION(S):

No action will be taken other than to provide preliminary direction to staff, so no alternative actions are needed.

FISCAL IMPACT:

CDBG funds allow the City to conduct activities and complete projects to benefit the community, and 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 (7.5% of grant funds) 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 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), and improvement of City infrastructure (Appendix A: Ongoing Priorities).

IMPLEMENTATION/TIMEFRAMES:

If City Council provides direction to submit a 2017 CDBG application, a public hearing must be held prior to application submittal. Applications for the 2017 cycle are due on December 1, 2017. Awards are to be announced March 1, 2018, and funding would be available around July 2018. The 2018 NOFA is to be released in June 2018, if program redesign is completed as scheduled. If the 2018 NOFA is released in June 2018, applications would be due in September 2018, and funding would be available around December 2019.

ATTACHMENTS:

1. 2017 Application Funding Limits and Activities chart

2. 2016 Application Funding Limits and Activities chart

NOTIFICATION:

1. Rick Moon, Parents & Friends