



AGENCY:	City Council
MEETING DATE:	Jan. 14, 2019
DEPARTMENT:	Public Works
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AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND PROVIDE DIRECTION TO STAFF REGARDING 2018 AND 2019 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 May 24, 2018.

At this time, a 2018 CDBG Notice of Funding Availability (NOFA) has been released by HCD, and the City of Fort Bragg is only eligible to apply for a "shovel ready project" if specific conditions are met. In addition, the 2019 CDBG NOFA is expected to be released in May 2019, and staff expects that the City of Fort Bragg will be able to apply in 2019.

The State CDBG program is currently undergoing a mandated redesign process, and the parameters of the 2019 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 CDBG activities and applications.

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. 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 2018 NOFA, HCD is making \$29.6 million available for State CDBG applications.

In the past, CDBG 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 and 2017 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 (Senate Bill 106) in 2017 that mandates a major State CDBG Program Redesign in order to streamline and improve program delivery. In July of 2018 HCD released a 221 page comprehensive report in response to Senate Bill 106 outlining proposed policies and processes to address CDBG program issues.

2018 CDBG NOFA

Because the State HCD staff was occupied with HUD monitoring and program redesign for most of the year, the 2018 NOFA was not issued until November 1, 2018. Applications are due February 5, 2019. The 2018 NOFA is similar to the 2017 NOFA with few changes. The table below summarizes 2018 NOFA changes as compared to the 2017 NOFA:

Application Parameter	2017 NOFA: <i>If 50% of Prior Grants Expended</i>	2018 NOFA: <i>If 50% of Prior Grants Expended</i>	2017 & 2018 NOFA: <i>50% Expenditure Waiver Activities</i>
Allowable activities per application	2 activities + 1 planning study	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	\$29.6 million	<<<
Application maximum	\$5 million	\$3 million	<<<
Activities & Maximum awards: Business Assistance, Micro- enterprise Assistance or Combo program	\$500,000 for 1 program or Combo program	\$500,000 for 1 program or Combo program	Not allowed
Housing Program (Single-family rehab or purchase assistance)	\$1M for one Program or Combo	\$1M for one Program or Combo	Not allowed
Housing Project	\$3M MFH Project	\$3M MFH Project	\$3M MFH Project
Public Improvement or Public Facility Project	\$5 million	\$3 million	\$3 million

Application Parameter	2017 NOFA: <i>If 50% of Prior Grants Expended</i>	2018 NOFA: <i>If 50% of Prior Grants Expended</i>	2017 & 2018 NOFA: 50% Expenditure Waiver Activities
Public Service	\$500,000 for up to 2 services	\$500,000 for up to 2 services	Not allowed
Planning Activities	Up to \$100,000 for 1 study	Up to \$100,000 for 1 study	Not allowed

2018 Expenditure Waiver Process

Because Fort Bragg has not expended 50% of the 2017 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.
5. 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 May 24, 2018, staff held a Design Phase public hearing to discuss the 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 44 local non-profit organizations. Four individuals attended the May 24, 2018, Design Phase public hearing. At the meeting, staff did not receive a proposal for a “shovel ready” project for the 2018 NOFA.

Throughout the year staff met with community members and non-profits at their request to discuss proposed CDBG projects. On November 13, 2018 staff met with Charles Greenburg of Habitat for Humanity. At the meeting, staff received a proposal for a “shovel ready” project for the 2018 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 and timelines. The City's public works department has not identified any "shovel ready" projects eligible for the 2018 NOFA round.

Potential 2018 50% Expenditure Waiver Project

The only identified project that is expected to meet Expenditure Waiver parameters is:

1. Estimated total application: \$274,194

The table below provides a cost breakdown for the potential 2018 project.

	Habitat for Humanity Site Improvement
Cost:	
Construction & Contingency	\$ 229,451
Activity Delivery (12%)*	\$ 27,534
General Admin (7.5%)	\$ 17,209
Total cost	<u>\$ 274,194</u>

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

Habitat for Humanity has plans to build two single-family residences at 630 Dubois Lane which would benefit two low-income households. The project would fund the required off-site improvements and utilities.

While the project certainly meets the City's goals, if applied for and received it would limit the City's opportunity to apply for the 2019 NOFA. Under the 2019 and 2020 NOFA, staff anticipates the ability to apply for up to three programs, in much greater dollar amounts, with expanded parameters, and without the limiting shovel-ready requirement.

CDBG Funded Projects

The City has a very active CDBG program. Since 2010 the City has applied and been awarded funding from six of the eight NOFA cycles. The table below provides an overview of CDBG funding awards:

NOFA	City Application	Award Amount	Activities
2010	Yes	\$800,000	Public Facility Rehab., Public Services, Housing Rehab. Programs
2011	Yes	\$120,000	Planning Grants
2012	Yes	\$1,525,000	Homeless Facilities, Homeless AIDS Patients Programs, Microenterprise Programs
2013	No	None	None

NOFA	City Application	Award Amount	Activities
2014	Yes	\$2,000,000	Homeless Facilities, Public Services, Employment Training, Microenterprise programs
2014 (OTC)*	Yes	\$836,151	Direct Financial Assistance (loan to: Sportz Investment Inc. DBA Sport Chrysler Jeep Dodge)
2015	No	None	None
2016	Yes	\$2,000,000	Water/Sewer Imprv., Direct Financial Assistance, Planning grants, Microenterprise programs
2017	Yes	\$3,038,896	Cypress Street Parents and Friends RCFE's Proj.

*Over the Counter (OTC) loans can be applied for at different times throughout a funding year.

The City will continue to only be eligible to apply under the 50% rule for one “shovel ready” project if applications are submitted and awarded during each NOFA cycle.

Future Projects

The 2019 NOFA is projected to be released in May 2019. The 2020 NOFA is projected to be released in January of 2020. Due to the Program Redesign process, parameters for the 2019 and 2020 applications are uncertain. Staff will conduct a Design Phase meeting before each NOFA is released to gather community input and proposals.

Public Works staff has submitted a Water Treatment Plant Overhaul Project as a potential 2019 or 2020 activity. This project would replace needed treatment unit items, for a construction cost of approximately \$1,300,000. The project would improve the treatment unit's efficiency, reliability, reduce cost while conserving water and greatly extend the life of the units.

Although staff will continue to seek public input until and after 2019 NOFA parameters are more developed, **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 \$3 million
Public Facilities	Acquisition, construction, rehab of non-profit facilities	Up to \$3 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.

The City is only eligible to apply for one shovel ready public facility or public improvement project until after we have expended more than 50% of CDBG funding at time of application. Applying during the current 2018 NOFA will increase the City's current CDBG funding, continuing to make the City ineligible to apply for any combination of activities in the upcoming NOFA's.

RECOMMENDED ACTION:

Provide preliminary direction to staff regarding City Council's priorities for activities to be included in the 2019 and 2020 CDBG applications. Staff recommends that the City not apply under the 2018 NOFA, so that the City is eligible for the 2019 NOFA without the significant constraints of the 50% rule.

ALTERNATIVE ACTION(S):

Direct staff to move forward with CDBG application process under the 2018 NOFA.

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. There is sufficient grant funds to operate the City's 2016 and 2017 CDBG grants.

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 2018 CDBG application, a public hearing must be held prior to application submittal. Applications for the 2018 cycle are due on February 5, 2019. Awards are to be announced May 2019, and funding would be available around July 2019. The 2019 NOFA is to be released in May 2019. If the 2019 NOFA is released in May 2019, applications would be due in August 2019, and funding would be available around October 2019. The 2020 NOFA is proposed to be released in January of 2020

ATTACHMENTS:

None.

NOTIFICATION:

1. CDBG Activities Notify Me Subscribers