



AGENCY:	City Council
MEETING DATE:	March 24, 2014
DEPARTMENT:	Community Devel.
PREPARED BY:	J. Owen
PRESENTED BY:	J. Owen

AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT, CONDUCT PUBLIC HEARING, AND CONSIDER ADOPTION OF CITY COUNCIL RESOLUTION APPROVING A 2014 APPLICATION FOR UP TO \$2,000,000 OF FUNDS AND EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM THE ECONOMIC DEVELOPMENT AND COMMUNITY DEVELOPMENT ALLOCATIONS OF THE STATE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

ISSUE:

Staff is preparing a 2014 Community Development Block Grant (CDBG) application for submittal to the State Department of Housing & Community Development (HCD) by April 11, 2014. On February 24, 2014, the City Council directed staff to prepare an application for CDBG funding for the following activities:

- (1) Micro-enterprise Assistance Activity: Up to \$232,558 for a Fort Bragg Micro-Enterprise Assistance Program including technical assistance services, financial assistance, and support services;
- (2) Public Facility Project: Up to \$1,162,791, including allowable Activity Delivery funding, to acquire and rehabilitate, on behalf of the Mendocino Coast Hospitality Center, the building located at 300 North Harrison Street to be known as the HOPE Project facility;
- (3) Public Service Activities: Up to \$465,116 to implement and operate three public service activities:
 - (a) Up to \$213,954 for the HELP Plus Program, to be operated by Renewable Energy Development Institute of Willits; and
 - (b) Up to \$65,116 for the HELP H2O Program, also to be operated by Renewable Energy Development Institute of Willits; and
 - (c) Up to \$186,046 for the Hospitality Harvest Garden Project, to be operated by Mendocino Coast Hospitality Center with Noyo Food Forest.
- (4) General Administration: Up to 7.5% of the grant total or \$139,535 as allowed per grant guidelines.

Staff attended a CDBG application training workshop in February at which CDBG staff explained changes included in the 2014 Notice of Funding Availability (NOFA). CDBG staff emphasized that the application process is likely to be highly competitive. If the 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 2014 Application for up to \$2,000,000 of Funds and Execution of a Grant Agreement and any Amendments Thereto from the Economic Development

and Community Development Allocations 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:

At the February 24, 2014 City Council meeting, staff described the impacts of the new “Super NOFA” system whereby jurisdictions can only submit CDBG applications if at least 50% expenditure of any grant awarded in 2012 or later has occurred. As explained, it is unclear how many jurisdictions will be eligible to apply in the 2014 funding round, but it is anticipated that most who applied in 2012 were, like Fort Bragg, not eligible to apply in 2013 and will apply in 2014. As a result, it is anticipated that the 2014 cycle will be highly competitive, similarly to the 2012 funding round. 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.

City Council has directed staff to prepare an application designed to meet community needs and to maximize the application’s competitive standing. The application includes the following activities:

1. **Microenterprise Assistance Program from the Economic Development Allocation:**

The application requests up to \$232,558 for a **Micro-Enterprise Assistance Program**. The proposed program will include Technical Assistance funding up to \$192,558; Support Services funding up to \$10,000; and Financial Assistance of up to \$30,000, including up to 15% or \$3,913 for Activity Delivery and \$26,087 for loans. CDBG staff has explained that funding may be re-allocated between micro-enterprise activities after award, if necessary based on local needs. Per new CDBG guidelines, Activity Delivery is no longer separated from Activity funding for Microenterprise Technical Assistance or Support Services, but it is to be calculated separately for Financial Assistance only. 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, incubator program delivery, 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 a new activity for the City of Fort Bragg 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. If Support Services are funded, the City will be required to approve new Support Services Program Guidelines, to be developed from CDBG templates, as part of grant Special Conditions. **Financial Assistance** will be provided per existing 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 Facility Acquisition and Rehabilitation Project from the Community Development Allocation:**

The application requests up to \$1,162,791 for acquisition and rehabilitation of a building located at 300 North Harrison Street to be known as the HOPE Project facility. If funded, the HOPE Project facility will be owned and operated by Mendocino Coast Hospitality Center (MCHC). The facility will provide MCHC with a secure and affordable facility while offering a centralized location for MCHC homeless and mental health services (excluding emergency shelter and meals). The facility will also provide adequate space for operation of the coastal Mental Health Access Center. In addition, the building provides five apartments to be used for transitional housing, which will help to replace some of the existing net loss of 20 units when Coast Community Center ceased coastal operations in Fort Bragg. MCHC will enter into a lease/option to purchase agreement with Hilbers, Inc., who recently purchased the facility. The building is currently highly degraded and in need of health and safety, energy efficiency and other improvements. Hilbers will undertake the permitting processes and will implement significant building repairs so that MCHC can begin operations at this location as soon as possible. If the grant is funded, MCHC will undertake additional energy efficiency and other improvements to maximize facility affordability and operational efficiency. The grant request includes MCHC's estimated acquisition cost for the building, to be comprised of Hilbers' documented purchase price plus documented cost of improvements up to the sale date, not to exceed \$900,000. The balance of the funding request includes \$234,635 for MCHC's after-purchase rehabilitation construction and Activity Delivery of up to 12% or \$28,156. Activity Delivery can be used to pay for construction management, pre-construction tasks, labor compliance tasks, and other related costs. If Hilbers' final selling price is less than the "not to exceed" amount, any remaining funds could be assigned to rehabilitation or if not needed, they could be disencumbered.

If funded, this activity will be implemented by City staff and the Mendocino Coast Hospitality Center, and the City would enter into a subrecipient agreement with MCHC.

3. **Public Service Activities from the Community Development Allocation:**

Per the CDBG Notice of Funding Availability, all Public Service activities will be scored separately, then scores will be added together to generate an average score for each application's combined Public Service activities. This apparently results in "all or none" funding for these activities (that is, if the average score for all Fort Bragg activities ranks high enough in the pool of average Public Service activity scores, all activities would be funded).

a. The **Hospitality Garden Project** was developed by Mendocino Coast Hospitality Center with Noyo Food Forest (NFF). The application requests \$186,046. The Program will provide vocational farm/garden training to Fort Bragg residents who are attempting to transition from homelessness or recover from mental illness, while providing high quality food to local feeding programs. The program will include rental of a vacant lot, development of a farm garden, organization and oversight of the labor force by MCHC, food production training by NFF, and engagement and training in promotional activities and sale of surplus products at local Farmers Markets, to be supervised by both entities. A site will need to be at least conditionally secured in order to maximize "readiness" points. This activity will receive 50 bonus points in grant ranking and rating due to the vocation aspects.

b. The **HELP Plus Program** will request up to \$213,954 to provide energy efficiency services and utility payment assistance, similarly to the previously operated HELP program. If funded, HELP Plus would be operated by Renewable Energy Development Institute (REDI) of Willits, per terms of a subrecipient agreement that would be executed as part of grant Special Conditions. HELP Plus significantly expands on the highly utilized HELP program to provide new water conservation and efficiency education, tools, and linkages to conservation installation programs, as well as previously offered energy and utility program linkages. In

addition, HELP Plus will assist in linking residents to the PACE (Program Assessed Clean Energy) program that is expected to be launched in Fort Bragg in the next year. The HELP Plus program will serve all City residents, as recommended by CDBG staff, because the City of Fort Bragg's Low/Moderate Income population exceeds 51% of residents. The timing of this energy efficiency and water conservation assistance is ideal as Fort Bragg seeks to reduce energy and water use while also reducing energy costs for City residents. REDI has located several viable locations from which their services could be provided, and site control will enhance the application rating and ranking.

c. **The HELP H2O Program** requests up to \$186,046 to provide emergency water bill assistance in conjunction with mandatory water conservation education and tools. HELP H2O would also be operated by REDI, as a partner program to the HELP Plus program. Emergency water bill assistance would be provided to a limited number of qualifying low and moderate-income residents on a one-time-only basis, for the purpose of interrupting a recurring cycle of late payments that result in shut-off fees. The emergency water assistance would be linked to mandatory water use education and provision of water conservation kits and other appropriate referrals. The HELP H2O program would be modeled after other highly successful and heavily utilized utility bill assistance programs. If funded, HELP H2O will be co-located with HELP Plus.

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.

FISCAL IMPACT:

CDBG grants have a very positive fiscal impact on the City because the grants fund 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 will be offset by grant administration funds and retained activity delivery funds. No match is required in order to receive this funding. CDBG has determined that leverage funding is no longer a competitively ranked item, so there is no incentive or need to dedicate non-grant funding to these activities. If microenterprise loans are funded, loan repayments are returned to the City as Program Income and are available for CDBG-eligible activities.

IMPLEMENTATION/TIMEFRAMES:

The 2014 CDBG application is due on April 11, 2014. Per the NOFA, awards are to be announced in July or August 2014. Funding will be released after contracts are executed and contract Special Conditions are cleared, which is anticipated to occur by January 2015. The allowable grant expenditure period terminates 36 months after the projected July or August 2014 grant award date, or by July or August 2017 (estimated date). Grant contracts will expire no later than 60 months after award date or by July 2019 (estimated date). Staff anticipates that activities will commence no later than January 2014 and that a period of 30 months will be available for activity completion.

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. Anna Shaw, Gary Johnson, Mendocino Coast Hospitality Center
3. Tom Ortner , Jeff Payne, Ortner Management Group
4. Kurt Hilbers, Hilbers Inc.
5. Keith Rutledge, REDI
6. Laura Welter and Virginia Loperena, Noyo Food Forest

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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:	_____		