



# COUNTY OF HUMBOLDT

For the meeting of: 1/22/2019

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File #: 19-62

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**To:** Board of Supervisors

**From:** Planning and Building Department

**Agenda Section:** Public Hearing

**SUBJECT:**

Submission of a 2018 Community Development Block Grant (CDBG) application for 2019

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Open public hearing, take public testimony;
2. Close public hearing;
3. Adopt attached Resolution (Resolution 19-\_\_\_\_) (Attachment 3) doing the following:
  - a) Authorize submittal of an application in the amount of \$3,000,000 for the CDBG activities described below, pursuant to the October 2018 CDBG Notice Of Funding Availability;
    - Redwood Community Action Agency (RCAA) Multi-Family Housing Rehabilitation for the Murray Duplexes in the Amount of \$2,369,315
    - Microenterprise Technical Assistance in the amount of \$433,900
    - RCAA Planning and Technical Assistance (PTA) proposal for Mental Health Services Planning Project in the amount of \$96,785 including matching funds from RCAA in the amount of \$4,839
    - County general administrative costs in the amount of \$100,000
  - b) Direct the Chair of the Board of Supervisors to execute the Letter of Designation (Attachment 4) designating the Planning and Building Director as the county's designee for this application and to act on the county's behalf in all matters pertaining to this application;
    - a) Certify the county will follow the State Relocation Plan and the Federal Uniform Relocation Act (URA) requirements as stated in the Statement of Assurances (Exhibit B);
    - b) Approve the State of California Antidisplacement and Relocation Assistance Plan, Exhibit A, "Relocation Plan", for the Multi-Family Rehabilitation activity at 1419-1457 Murray Road, McKinleyville;
    - c) Authorize and direct the Planning and Building Director, or designee, to take the following actions:

- i. Sign this application and act on the county's behalf in all matters pertaining to this application, except that the Humboldt County Administrative Officer is authorized and directed to sign the Statement of Assurances;
  - ii. Sign contracts or agreements to carry out grant activities upon the review and approval by County Counsel and Risk Management;
  - iii. Sign a subrecipient agreement, contingent upon funding, with the Redwood Community Action Agency for inclusion in the grant application;
  - iv. Initiate the State Housing and Community Development (HCD) appeal process for CDBG activities if HCD determines and notifies the county that the application does not meet the criteria;
  - v. Sign the grant agreement and any subsequent amendments with the State of California for purposes of this grant;
  - vi. Sign funds requests and other required reporting forms; and
4. Direct the Clerk of the Board to return the certified Resolution to Planning and Building Department, Long Range Planning, by January 29, 2019.

**SOURCE OF FUNDING:**

The California Department of Housing and Community Development (HCD) Community Development Block Grant (CDBG) and CDBG Program Income.

**DISCUSSION:**

**Summary:**

This is a request for the Board of Supervisors to authorize an application to State Housing and Community Development for \$3,000,000 in Community Development Block Grant Funds. The application would include \$2,369,315 for Redwood Community Action Agency (RCAA) to rehabilitate existing affordable units in McKinleyville, \$433,900 for Microenterprise Technical Assistance, \$96,785 for RCAA for Mental Health Services Planning and \$100,000 for county general administrative costs. All of the application requirements and processes have been complied with and staff recommends the Board of Supervisors authorize submittal of this grant application as it will protect existing affordable units, provide assistance for small businesses and provide needed mental health services for the community.

**Background:**

HCD-CDBG funds are funds allocated by the United States Housing and Urban Development (HUD) to the states to benefit low to moderate income individuals (LMI). The state in turn issues a Notice of Funding Availability (NOFA) for county and city jurisdictions to compete for available funds. On November 1, 2018, HCD released a Notice of Funding Availability for the CDBG Program. The grant application filing deadline is February 5, 2019. Prior to submitting an application, CDBG requires that staff have a "design phase" meeting where the general public may come and discuss their ideas and hear about the county's ideas for grant funded activities. This meeting is an opportunity for project proponents to meet and discuss the feasibility of applying for CDBG funding. This meeting was held

on December 11, 2018. In addition, CDBG requires a “selection phase” meeting before the public body. This meeting allows your Board to review the grant application activities, take public comment and approve the program and policy content of the grant for staff to execute. This process is intended to provide the public an opportunity to comment on application activities, and ensure that your Board understands and approves the use of these grant funds for the purposes described in the application.

As the primary purpose of CDBG is to provide benefits to Low-Moderate (Low-Mod) Income individuals, this is the main threshold when evaluating a project. Low-Mod is defined by HUD as persons earning less than 80 percent of Area Median Income (AMI). In Humboldt County that is \$33,450 for one person and \$47,750 for a family of four. There are several ways to meet this requirement.

- For the Community Development projects this can be met a couple of ways: 1) a project serving a community where at least 51 percent of the residences are Low-Mod; or 2) a project that will serve Low-Mod persons only. This is called a targeted project. Some people are assumed to be Low-Mod; for example, severely disabled adults and homeless persons automatically qualify as Low-Mod persons. The unincorporated area of Humboldt County is 40 percent Low-Mod, therefore for community development projects Low-Mod must be met by targeting a census tract or eligible persons, and cannot be jurisdiction-wide.
- For the Economic Development projects the Low-Mod requirement can be met two ways: 1) a project that will hire Low-Mod workers or is owned by a Low-Mod person(s), or 2) elimination of slums and blight.

The 2018 CDBG NOFA allows an eligible jurisdiction to submit only one application. With this one application, a jurisdiction may only apply for three activities: one Planning and Technical Assistance (PTA) activity, and up to two non-PTA activities. The maximum amount of funding a jurisdiction may apply for is \$3,000,000. This \$3,000,000 includes the \$100,000 maximum allowable funds for PTA. The 2018 CDBG NOFA Application Funding Limits and Eligible Activities is included herein as Attachment A. It is anticipated this CDBG funding cycle will be highly competitive as there is much interest so it is important to select proposals that will score well.

For PTA activities, only one study may be funded, and a five percent (5%) minimum local match is required. Additionally, the PTA activity must meet the National Objective of Low-Mod Area benefit, and be tied to an activity that has “proposed beneficiaries” if implemented.

If a jurisdiction has program income (PI) on hand it must be expended prior to expending awarded funds. At this time, the county has approximately \$6,000 of PI on hand to be expended. PI received must be used for CDBG funded activities with open contracts. An open activity is an activity that is under an existing and open CDBG contract. Should the county receive PI as a result of this CDBG contract (assuming the application is funded), it can only be used for the awarded activities. It is estimated that the county may receive \$35,000 to \$100,000 PI.

General Administrative (GA) costs include staff and overhead costs required for overall contract and

program management. All awarded activities (other than Economic Development Over-The-Counter) allow up to 7.5 percent of the total funds awarded, or \$225,000 for the full \$3,000,000, for reasonable GA expenses related to the administration of the CDBG program. As part of the application, the applicant may request that the GA amount be less than the allowable maximum and apply the difference towards an activity. Based on the county's experience, it is anticipated that GA expenditures will be well below the 7.5 percent allowance; therefore only \$100,000 (\$91,000 for the multi-family rehabilitation project, and \$9,000 for the microenterprise technical assistance proposal) is proposed to be requested as part of the 2018 CDBG application to enable addition funds to be put towards these two proposals.

HCD has implemented very few changes in the CDBG program as part this funding cycle. The most notable change is adding an appeal process for the threshold and scoring evaluation phases. If at either of these phases, an applicant does not meet the criteria, the applicant will be notified in writing, and the applicant may appeal HCD's decision. The appeal filing deadline is three (3) days from the date of HCD's eligibility, threshold review, or preliminary point score determination letters. Given the short timeframe for filing the appeal and in order to preserve the county's ability to appeal an unfavorable determination by HCD, the Resolution found in Attachment 3 provides for the Director of Planning and Building to file an appeal on behalf of the county, if needed.

## GRANT PROPOSALS

The county advertised in the Times-Standard and sent a notice to a list of interested parties. The county received inquiries from five parties and six people attended the design phase hearing on December 11, 2018. Of those interested parties, only two entities submitted proposals. Below is a summary of the proposals that are under consideration:

A) Multi-Family Housing Rehabilitation proposal from the Redwood Community Action Agency (RCAA) for the Murray Duplexes located at 1419-1457 Murray Road, McKinleyville, Assessor Parcel Number 511-101-022. This proposal is for the rehabilitation of this affordable housing complex. RCAA, a certified Community Housing Development Organization (CHDO), has owned the property since 1993 and it was purchased with HOME Program funds for the purpose of providing decent affordable housing to low-income households. The unit mix consists of 19 small two-bedroom and 1 one-bedroom units situated in ten one-story duplex buildings, located on an approximately 2.1 acre property. Currently, the units are occupied by 16 households earning 80 percent or less of the Area Median Income (AMI) and 4 households earning 50 percent or less of the AMI.

The proposed activity will rehabilitate the aging buildings that are in fair condition. A third party Capital Needs Assessment (CNA) based on Fannie Mae Guidelines will be submitted by January 20, 2019, and will be included the CDBG application. The inclusion of the CNA in the application will improve the application's scoring. It is expected that the CNA will show an immediate need for reconstruction to correct deficiencies consistent with moisture issues caused by the lack thereof or damaged vapor barriers, water drainage patterns toward buildings, no building insulation and lack of circulation, and outdated interior components including fixtures and cabinetry. Furthermore, as called out in previous CNAs, the buildings are due for replacement of major capital items including roofing, siding, painting, and site fencing.

Due to the current status of the buildings, the proposed activity will reconstruct the buildings to improve health and safety, achieve energy efficiencies, and create universally designed spaces that are accessible to all. The overarching goal is to revitalize the property so that low-income households can benefit from the housing for more than 30 years. Without the activity, the property is at risk of conversion from the affordable housing stock. The funding requested for this proposal is \$2,562,548.

The project will result in the temporary relocation of residents during construction. When a project will result in the temporary relocation of residents, an applicant for State CDBG program is required to certify they will follow the State Relocation Plan and the Federal Uniform Relocation Act (URA) requirements when applying for funds, and to provide a relocation plan that meets the requirements. The Resolution in Attachment 3 includes the requisite certification language, and a relocation plan (Exhibit A) for approval. The attached relocation plan was sourced from the Housing and Community website and is “off the shelf”. Prior to the Board’s January 22, 2019 hearing, the residents of the complex have been provided a general information notice by the RCAA, along with the public notice for the Board’s hearing.

Prior to submitting their application, RCAA consulted with County Planning and Public Works staff on applicable land use regulations and options to further develop the site. The subject property is zoned Residential One-Family (R-1) and planned Residential Low Density (RL1-7) with an Airport Land Use Compatibility Zone Overlay (RL,AP). The R-1 zoning districts permits one single-family residence and one accessory dwelling unit (also known as a secondary dwelling unit) per legal lot. The RL specifies a maximum density of seven dwellings per acre density. The AP overlay was adopted as part of the General Plan update. The purpose of the AP overlay is to establish compatibility zones for lands in the vicinity of all public use airports that matches the Recommended Compatibility Zones contained in the March 1993 Airport Land Use Compatibility Plan, as amended, for Humboldt County Airports; and limits the maximum allowable residential density and building occupancy for each land use designation subject to such zones, to the Airport/Land Use Safety Compatibility Criteria of the Airport Land Use Compatibility Plan. As the housing complex was built in 1945, long prior to the adoption of the General Plan, McKinleyville Community Plan, and the Zoning Regulations, the existing housing complex is a legal nonconforming use, and the rehabilitation of the structures is consistent with the Zoning Regulations Sections 314-131 and 314-132 et seq. as it will not result in an increase in the number of dwelling units. Given the age the structures, the scope of work includes a historic assessment to determine if the structures are historic. If determined to be historic, the rehabilitation will be conducted in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

With respect to Airport Land Use Compatibility, the subject property and those in the vicinity are located within Zone C\*. Zone C\* permits residential densities up to eight dwelling units per acre. The Zone labeled C\* is within a C zone principally because of noise impacts associated with helicopter operations. Safety is a minor concern. As the subject parcel is 2.1 acres in size, the maximum allowable density is 16 units. As the existing development exceeds the allowable density with 20 dwelling units, it is nonconforming, and additional units cannot be added. Although nonconforming, Zone C\* would allow the size and height of the units to be increased per Public Works, Land Use

Division (LUD). Based on input from LUD, an application to waive density would be challenging and the governing body would need to consider the cumulative impact of approving a project that is inconsistent with the Airport Land Use Compatibility Plan and how that might affect the ability for the county to continue to receive federal funding for airport improvement projects. Also, it may trigger additional waiver requests for similarly situated properties.

The nonconforming status of the existing development with respect to both zoning and Airport Land Use Compatibility heightens the need for these units to be rehabilitated to retain them into the future as part of the affordable housing inventory.

B) Economic Development, Microenterprise Technical Assistance proposal. The maximum allowable award in this category is \$500,000. Humboldt County has had an active microenterprise technical assistance program since 2000. It helps entrepreneurs who are low-moderate income and have fewer than five employees to create businesses or expand existing businesses more successfully.

Core service components include program marketing and outreach to target communities, intake and screening of clients, one-to-one business counseling, core business training classes, intensive group programs ("Flights") targeting specific industry or community segments, core personal finance training classes, advanced business training classes, online computer training when appropriate, information & referral, and activity tracking and reporting.

Eligible program participants work with a business counselor to map out a business action plan as well as a capacity development work plan identifying which service components will best support their business goals.

The program design outlined below aligns with the current CDBG Microenterprise Technical Assistance Services Program Guidelines, and is grounded in the experience of the North Coast Small Business Development Center, which has been the primary provider of business technical assistance in Humboldt County since 1984, and has delivered CDBG-funded Microenterprise Technical Assistance for the past 18 years. The North Coast Small Business Development Center (North Coast SBDC) is a program of sub-contractor Humboldt State University Sponsored Programs Foundation (HSU SPF). The proposed Microenterprise Program will help low-moderate income entrepreneurs living and/or operating a business in Humboldt County to start or grow a microbusiness (of five or fewer employees.) Approximately 90-100 program clients will apply and qualify per year, and of those, at least 90 percent will report progress on key mileposts outlined below-from launching the business to accessing capital and more.

Over a two-year funding cycle, it is anticipated that the proposal would result in 150 business expansion, 20 new business startups, with 200 Low-Mod beneficiaries being served by the program, if awarded. The program budget over a two-year cycle is estimated at \$468,000, as prepared by the North Coast SBDC.

C) Redwood Community Action Agency (RCAA) Planning and Technical Assistance (PTA) proposal for Mental Health Services Planning Project: these funds would allow RCAA to investigate

the feasibility and planning of a fully staffed Outpatient/Mobile Mental Health (MH) Program to serve the larger Eureka community, as historically the clientele base for these services has primarily been those children/youth that are enrolled in other RCAA programs. An abstract of the proposal is in Attachment 5. They are requesting \$96,785 and will provide the required 5 percent match with \$4,839 in funds sourced from RCAA. The Resolution includes an action to authorize the use of these funds for the required local match.

In addition to the above proposed projects, the following organizations inquired about funding: Westside Community Improvement Association, and the Department of Health and Human Services, Mr. Steve Strombeck in partnership with a Community Housing Development Organization (CHDO). For a variety of reasons, these parties did not submit proposals.

#### BUDGET AND SHORTFALL ALLOCATION SCENARIOS

As discussed above, the maximum allowable award is \$3,000,000. When totaled, the county's request will exceed the maximum available award funds by \$227,330. In Attachment 2 are two scenarios developed by staff for allocating the shortfall:

1. A 50/50 split of the \$227,330 budget shortfall between the RCAA proposal and the Microenterprise Technical Assistance proposal.
2. A pro-rata share of the budget shortfall between the RCAA proposal and the Microenterprise Technical Assistance proposal. The RCAA proposal represents approximately 85 percent of the total \$3,000,000 budget, and the Microenterprise Technical Assistance proposal is approximately 16 percent.

The suggested approaches for handling the shortfall have been circulated to both RCAA and the North Coast Small Business Development Center for consideration. Staff recommends employing the pro-rata approach as it is more equitable considering the significant budget differential between the two proposals.

Successful scoring will depend on the number and quality of other applicants. One way to get additional points is to authorize the execution of Subrecipient Agreements, contingent upon funding. This is required to get maximum readiness points. For maximum application points, staff also recommends that the Board authorize the Planning and Building Director to sign a subrecipient agreement, after review and approval by County Counsel and Risk Management, contingent upon funding, with Redwood Community Action Agency.

CDBG requires that a staff member be delegated authority to act on behalf of county in matters pertaining to the grant application. If funded, CDBG further requires that a staff member be authorized to sign the grant contract and requests for funding. As has been the custom since the Planning and Building Department's initial participation in the CDBG program, the Resolution includes delegation of signature authority to the Planning and Building Director, or his designated representative, for the above items and to sign contracts to carry out the above activities, after review and approval by County Counsel and Risk Management.

The CDBG program also requires that a certified Statement of Assurances accompany the application.

The proposed Resolution authorizes and directs the County Administrative Officer to execute the Statement of Assurances on behalf of the county. A copy of the Statement is incorporated into the Resolution as Exhibit B.

Selecting proposed activities to apply for as part of a CDBG application, and filing a CDBG application are not projects under the California Environmental Quality Act (CEQA) or the National Environmental Quality Act (NEPA). Specific activities that may have environmental impacts will be reviewed under CEQA and/or NEPA prior to implementation.

**FINANCIAL IMPACT:**

There is no impact to the General Fund. The administration, management, and project funds will come from 2018 CDBG funds (\$100,000). Planning and Technical Assistance match funds will be provided by RCAA's Planning Division funds.

Approval of the application is consistent with the Board's Strategic Framework through its core role to create opportunities for improved safety and health of residents, protect vulnerable populations, encourage new local enterprise, and support business, workforce development, and creation of private sector jobs.

**OTHER AGENCY INVOLVEMENT:**

Redwood Community Action Agency and Humboldt State University Sponsored Programs Foundation's North Coast Small Business Development Center.

**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

Alternatives to staff's recommendation could include:

1. Not file a 2018 State CDBG application; or
2. To submit less than three grant proposals for this State CDBG funding cycle; and/or
3. Provide direction to staff.

**ATTACHMENTS:**

- 1: 2018 CDBG Application Funding Limits and Activities Chart
- 2: Budget Shortfall Allocation Scenarios
3. Draft Board of Supervisors Resolution:
  - Exhibit A, Relocation Plan for 1419-1457 Murray Road, McKinleyville
  - Exhibit B, Statement of Assurances
- 4: Letter of Designation
5. Planning and Technical Assistance Proposal Abstract

**PREVIOUS ACTION/REFERRAL:**

Board Order No.: N/A

Meeting of: N/A

File No.: N/A