COUNTY OF HUMBOLDT

For the meeting of: 8/18/2026

File #: 26-793

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: Majority

SUBJECT:
Authorization of American Rescue Plan Act Child Care Loans to North Coast Children's Services in the Amount of $350,000, and First 5 Humboldt in an Amount of Not Less Than $500,000 for Child Care Facility Projects

RECOMMENDATION(S):
That the Board of Supervisors:
1. Authorize North Edge Financing to execute and administer a child care facility loan to North Coast Children's Services (NCS) in the total amount of $350,000 to help complete construction of the NCS child care facility at 307 N Street, Eureka, after review and approval by County Counsel and the County Administrative Office; and
2. Authorize North Edge Financing to execute and administer a child care facility loan to First 5 Humboldt (through its supporting 501(c)(3) entity, the Humboldt Children and Families Foundation) in an amount of not less than $500,000 to support the child care-serving facility project at 902 E Street, Eureka, after review and approval by County Counsel and the County Administrative Office; and
3. Direct the County Administrative Officer, or designee thereof, to amend the county's agreement with North Edge Financing as necessary to administer, underwrite, and service the loans described above and to disburse the associated ARPA funds prior to the Dec. 31, 2026, federal expenditure deadline.

STRATEGIC PLAN:
This action supports the following areas of your Board's Strategic Plan:

Area of Focus: A Diverse, Equitable & Robust Economy
Strategic Plan Category: 2005 - Access to child care

DISCUSSION:
Background
In 2022, your Board created the Humboldt Child Care Stabilization Fund (HCCSF) using a portion of the county's American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds allocation. The county contracted with North Edge Financing (formerly Arcata Economic Development Corporation), who has administered the fund and supported local child care providers and families through the child care crisis that intensified during and after the pandemic. Under federal rules, all ARPA funds were required to be obligated by Dec. 31, 2024, and must be fully expended by Dec. 31, 2026.

On June 9, 2025, staff presented an update to your Board on the ARPA-funded child care program and advised that a balance of the HCCSF was likely to remain unexpended by the federal deadline under the program's then-current structure. At that time, North Edge Financing indicated that at least $500,000 remained available to allocate, with the potential to redirect additional unspent HCCSF dollars toward a new child care initiative. Your Board directed staff to develop a new program that would fully expend the remaining funding by Dec. 31, 2026, in compliance with ARPA rules, and support the local child care industry.

This agenda item presents that new program, which is to provide loans that are mostly forgivable to two local child care partners to support acquisition and construction of child care facilities. Pursuant to the May 10, 2022 agenda item which authorized the professional services agreement with North Edge to administer this portion of ARPA funds, the County Administrative Office is authorized to amend the agreement as necessary to effectuate the Board's direction.

Recommended Approach

In response to your Board's direction, county staff worked with local child care partners to evaluate how the remaining HCCSF dollars could be deployed in a way that both meets the ARPA expenditure deadline and remains within the original spirit of this project to support the local child care system. As your Board is aware, funds that are not spent by Dec. 31, 2026, must be returned to the federal government. One of the most effective ways to convert these soon-to-expire dollars into long-term value is to deploy them as loans and forgivable loans to child care providers. Doing so spends the funds by the deadline - for these purposes, expenditure is recognized upon execution of the loan and transfer of the funds - and, where a loan is repaid, returns income to the county that can be recycled to sustain child care supports after the ARPA funds are gone, or put to other use at your Board's discretion.

Staff recommend providing loans to two local organizations for facility projects that will expand childcare capacity in Humboldt: North Coast Children's Services (NCS) and First 5 Humboldt. Both loans would be administered by North Edge, which has administered the Stabilization Fund since its inception. This report describes each loan, its cost and structure, and requests the authorizations staff needs to execute them before the federal deadline.

Project 1 - North Coast Children's Services

NCS is a regional anchor for early child care in Humboldt County and a Head Start and Early Head Start grantee. NCS is developing a facility at 307 N Street in Eureka (across from the Humboldt County Library) that will ultimately include new child care classrooms and administrative offices. The project was designed in phases: a Head Start classroom, an Early Head Start classroom, and a main office building. The Head Start classroom is intended to relocate and expand the current half-day Jefferson Head Start program to a 7-hour, full-year program; the Early Head Start classroom will support conversion of home-based slots to center-based care to meet family demand.

To date, all of the funding for this project has come from the federal Office of Head Start. NCS applied for a $1.1 million state infrastructure grant that, combined with Head Start funds, would have fully funded the project; however, that state grant was not awarded. Because bids came in significantly above projections and the state funding did not materialize, NCS has a funding gap and cannot complete the facility with committed funds alone. NCS needs approximately $610,000 to fully complete the project. However, a portion of that (including playground equipment and certain landscaping) is not required to bring the classrooms into operation and NCS anticipates securing federal approval for those items once the buildings are complete.

Therefore, staff recommend authorizing a $350,000 loan to NCS to fund the work needed to finish the classrooms so NCS can operate them. The loan is proposed to be structured in two components:

- a $100,000 forgivable loan, and
- a $250,000 zero-interest (0%) loan.

Because NCS is a Head Start grantee, staff recommend the loan be secured by a UCC-1 filing on NCS business assets rather than by a lien against the N Street real property. Securing the loan this way avoids the need for federal Office of Head Start approval of a lien on the buildings, which could take months and delay the project past the federal deadline. The $100,000 forgivable portion would be forgiven once construction of the classrooms is complete. The $250,000 zero-interest portion is proposed to begin repayment after one year, after which NCS would begin repaying the loan on a quarterly basis at 0% interest. Payments are expected to be no more than $5,000 per month, with a repayment period of 50 months.

Project 2 - First 5 Humboldt, the Belonging Project

First 5 Humboldt, through its supporting 501(c)(3) entity the Humboldt Children and Families Foundation, has acquired the property at 902 E Street in Eureka (the "Belonging Project") to create a permanent, family-centered home for its early childhood programs. The property was purchased with the seller carrying financing for up to two years, and the foundation is assembling a capital stack of grants, donations and financing to renovate the existing building and develop a new facility. When complete, the site will include staff offices, space for play groups and community meetings, and a large sensory garden open to children and families - all supporting First 5 Humboldt's work on early childhood development and the prevention of Adverse Childhood Experiences.

A feasibility study for the project estimates total development costs in the range of approximately $2 million to $3.5 million, with the most likely scenario near $2.5 million. The project's funding sources include a pledge of $500,000 from the Vesper Foundation, contributions from First 5's sustainability reserves, financing through a Community Development Financial Institution, and if approved, a loan from the County of Humboldt. First 5 Humboldt's ongoing programs serve young children and families throughout the county, and the facility will provide dedicated, stable space for play groups and community programming that support the local child care and early-childhood system.

Staff recommend repurposing unspent ARPA funding for a forgivable childcare facility loan to First 5 Humboldt in an amount of not less than $500,000. This figure is the minimum remaining unexpended balance of the Child Care Stabilization Fund. Because staff intend to halt certain existing program activities and interest continues to be earned on the North Edge Financing HCCSF, the final amount is likely to grow above $500,000, depending on how much interest has accrued and how much is left unspent on other child care projects. For that reason, staff recommends your Board authorize the loan at "not less than $500,000," with the final amount confirmed by North Edge Financing and county staff before execution and disbursement ahead of the Dec. 31, 2026, deadline.

The loan would be fully forgivable, secured by a lien on the 902 E Street property, and forgiven once First 5 Humboldt documents that it has spent the full loan amount on the facility project. Disbursing the funds as a forgivable loan up front spends the ARPA funds by the deadline, while the lien and documentation requirements protect the county's interest until the forgiveness conditions are met.

Fees

North Edge would administer both loans, as it has administered the HCCSF from the beginning of the program. Staff estimate the fee to package, administer, and monitor both loans at $9,600 - roughly 12 hours per loan at $200 per hour - which staff proposes to pay from interest earned on the ARPA funds.

Pursuant to the contract executed with North Edge, they currently hold the funds for program and will disburse the loan funds directly from their financial institution. Repayment, however, will be returned to the county treasury.

Compliance and Timing

Deploying the remaining HCCSF dollars as loans meets the ARPA expenditure requirement because, for these purposes, the funds are considered expended once the loan is executed and the money is transferred to the borrower - not when the borrower completes construction. It is important to note that for forgivable loans the forgiveness must be expected in order for the transfer to count as an ARPA expenditure, which is the case for both loans as proposed. Staff therefore expect to execute and fund both loans via North Edge well in advance of the Dec. 31, 2026, deadline.

It is worth noting that meeting the expenditure deadline does not end the county's responsibility: to ensure the funds are ultimately used for allowable purposes, both loans will carry a monitoring schedule and documentation requirements under which the receiving organizations must show that loan funds were spent on eligible costs. County Counsel and the County Administrative Office will review and approve the loan documents before execution.

SOURCE OF FUNDING:

ARPA State and Local Fiscal Recovery Funds; Humboldt Child Care Stabilization Fund (HCCSF)

FINANCIAL IMPACT:

Expenditures (3232-120200)	**FY26-27**	**FY27-28 Projected***	**FY28-29 Projected***
NCS Facility Loan	$350,000	$0	$0
First 5 Humboldt Loan	$500,000+	$0	$0
Total Expenditures	**$850,000+**	**$0**	**$0**

**Projected amounts are estimates and are subject to change.*

Funding Sources (3232-120200)	**FY26-27**	**FY27-28 Projected***	**FY28-29 Projected***

General Fund	$0	$0	$0
State/Federal Funds (ARPA, HCCSF)	$850,000+	$0	$0
Loan Repayment	$0	$45,000	$60,000
Total Funding Sources	**$850,000+**	**$45,000**	**$60,000**

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:
The two loans are funded from remaining ARPA State and Local Fiscal Recovery Funds (SLFRF) obligated to the Humboldt Child Care Stabilization Fund.

The $250,000 zero-interest portion of the NCS loan will be repaid to the county over time. This portion is anticipated to be repaid at 0% interest in amounts of approximately $5,000 per month ($60,000 per year) with payments beginning in October 2027, following a first year with no payments, for a total term of 50 months. North Edge will administer the loan, collect payments and remit to the county, and monitor work to ensure the forgivable milestones are hit. Activity for the remaining allocation to the North Edge HCCSF, per the original agreement, will be recorded in the ARPA SLFRF budget unit (3232-120200).

The $100,000 forgivable portion of the NCS loan and the fully forgivable $500,000+ First 5 Humboldt loan will not be repaid to the county, so long as these organizations fulfill the terms of their loans which will include construction and/or development milestones and goals. North Edge Financing receives an administrative/servicing fee for underwriting and servicing the loans, paid through the ARPA funds.

STAFFING IMPACT:

Narrative Explanation of Staffing Impact:
There is no net change to county staffing associated with this action. Administration, underwriting, and servicing of the loans are performed by North Edge Financing under contract. County Administrative Office staff will coordinate loan execution and compliance monitoring within existing resources.

OTHER AGENCY INVOLVEMENT:
North Edge Financing, First 5, North Coast Children's Services

ALTERNATIVES TO STAFF RECOMMENDATIONS:
Your Board may authorize either loan independently, modify the amount or structure of either loan, or decline to authorize one or both loans.

Staff does not recommend declining the loans or substantially delaying action. Any remaining ARPA SLFRF dollars that are not expended by Dec. 31, 2026, must be returned to the federal government and would be permanently lost to the county and the local child care system. Deploying the funds as loans is the option that both meets the deadline and preserves long-term, recyclable value for county child care or other efforts.

ATTACHMENTS:
1. NCS Project Description
2. First 5 Project Description
3. Professional Services Agreement with North Edge Financing (formerly Arcata Economic Development Corporation)

PREVIOUS ACTION/REFERRAL:
Meeting of: June 9, 2025; May 10, 2022
File No.: 25-756; 22-497