



# STAFF REPORT – CITY COUNCIL MEETING

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July 19, 2023

**TO:** Honorable Mayor and City Council Members

**FROM:** David Loya, Director of Community Development  
Jennifer Dart, Deputy Director of Community Development

**PREPARER:** Jennifer Dart, Deputy Director of Community Development

**DATE:** July 12, 2023

**TITLE:** **Public Hearing for Closeout of Arcata’s Community Development Block Grant (CDBG) 17-CDBG-12017: Accomplishments, Disencumbrance, and Acceptance of Two Planning Only Activity Reports.**

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## **RECOMMENDATION:**

It is recommended that the Council:

1. Open a public hearing to consider closeout of the 17-CDBG-12017 grant (“CDBG grant”), including: accomplishments; disencumbrance of funds; acceptance of the analysis and Infill Market Study dated January 8, 2021, and Appendix dated April 27, 2023, reports; and acceptance of the analysis and City of Arcata Housing Element, 6<sup>th</sup> Cycle report, adopted December 18, 2019.
2. Adopt Resolution No. 234-01 accepting the analysis and Infill Market Study with Appendix report, and the analysis and City of Arcata Housing Element, 6<sup>th</sup> Cycle report.
3. Direct staff to disencumber unused grant funds, authorize the City Manager to sign the closeout certification, and submit final reports and closeout package to California Housing and Community Development, CDBG Division.

## **INTRODUCTION:**

The purpose of this hearing is to receive public input on accomplishments for each activity of the 17-CDBG-12017 grant, including expenditures and disencumbrance, to accept the analysis and final reports which were funded under a Planning Only activity, and to direct staff to submit the grant closeout package to the State. The City is closing out one grant which comprised four distinct activities:

- City of Arcata Wastewater UV Improvements
- Arcata Gardens Multi-Family Rehabilitation Project
- Planning Only – Infill Market Study and Appendix, and the City of Arcata Housing Element, 6<sup>th</sup> Cycle

- Economic Development Business Assistance and Microenterprise Programs (supplemental activities)

## DISCUSSION:

In 2017, the City was awarded CDBG grant 17-CDBG-12017 which funded three specific projects; staff and project costs under Activity Delivery and General Administration; and Supplemental Program Income Activity for Business Assistance and Microenterprise Loans and Grants. The following chart shows amounts awarded for each grant activity, the amount funded, and the unused amount requiring disencumbrance. The chart also shows grant activities funded with Program Income.

<b>Grant Activities</b>	<b>Amount Awarded</b>	<b>Amount Funded</b>	<b>Unused – To be Disencumbered</b>	<b>Funded with Program Income</b>
Water/Sewer Improvements (03J), for Wastewater Treatment Plant Improvements and UV System	2,990,032	1,543,542	1,446,490	
Activity Delivery – Water/Sewer Improvements (03JD)	299,003	250,749	48,254	
Rehabilitation – Multi-Unit Residential (14B) – Arcata Gardens	1,717,442	1,508,606	208,836	194,982
Activity Delivery – Rehab – Multi-Unit Residential (14H)	50,000	50,000	0	
Planning Only – Community Development – No Activity Delivery (20AC)	93,023	12,888	80,135	80,135
General Administration-All Grant Activities	348,838	259,105	89,733	89,733
<b>Economic Development Supplemental Activities</b>				
Café Phoenix Job Retention (Business Assistance 18A)		91,106	-91,106	
Sistah’s Vegan Microenterprise Grant (Microenterprise 18C)				9,935
Earthly Me Microenterprise Grant (Microenterprise 18C)				3,440
Bodyfree, LLC Microenterprise Grant (Microenterprise 18C)				7,207
Big Blue Café (Business Assistance 18A)				60,000
Combined Activity Delivery for Supplemental Activities funded with Program Income				10,266
	<b>5,498,338</b> <i>Total Grant</i>	<b>3,715,996</b> <i>Grant Amount Used</i>	<b>1,782,342</b> <i>Grant Disencumbrance Amount</i>	<b>455,698</b> <i>Activities Funded by Program</i>

## **Accomplishments.**

Wastewater Treatment Plant Improvements and UV System. Groundbreaking activities began in in facility's corp yard in December 2022 to convert the existing wastewater treatment plant's chlorine contact basin into ultraviolet light disinfection (UV). While most funding is provided by California's Clean Water State Revolving Fund, CDBG funds were used for equipment purchases. Note that COVID pandemic restrictions and materials supply issues contributed to delay in initiation of construction and the expenditure of CDBG grant funds; as a result, approximately 53% of budgeted funds were used. Approximately 84% of Activity Delivery was used. In addition to equipment, funded work includes demolition, construction of UV system concrete walls and deck, installation of conduit and ductbanks, and UV building piers and foundation. The activity and is on track for completion of this phase by July 31, 2023.

Arcata Gardens Rehabilitation. CDBG funding was used for ADA accessibility upgrades, purchase and installation of a PV electrical system, roof replacement, sewer infrastructure improvements, an ADA accessible outdoor recreation area, new playground equipment, signage, and office and laundry room repair. Funds were also used to fund temporary relocation of some tenant during construction, and for prevailing wage monitoring. All Activity Delivery funds were used. 99% of budgeted funds were used.

Planning Only – Community Development. 89% of awarded funds were used for an Infill Market Study to assist with development of a Strategic Infill Redevelopment Program to promote housing development in Arcata, and a Workforce Housing Financial Feasibility Analysis to assist with redevelopment of obsolete health facilities for housing of Open Door Community Health Center employees.

11% of awarded funds were used in the development of the City of Arcata Housing Element, 6<sup>th</sup> Cycle, adopted by the City Council on December 18, 2019, and certified by CA Housing and Community Development on January 28, 2020.

Economic Development – Café Phoenix. COVID restrictions financially impacted many business sectors, restaurants, and hotel/motels in particular. In response, the City obtained approval for a Job Retention forgivable loan program, under the supplemental Economic Development Activity. Café Phoenix made a viable plan to navigate the uncertain business conditions using Federal, County, and City funding programs. The result was retention of employees and addition of another part-time employee. The employee retention requirement was met, and the loan was forgiven.

## Program Income Funded Activities.

1. Sistah's Vegan Microenterprise Grant for installation of a fire suppression system to the hood in her Foodworks unit, and repairs to damages to their food truck.
2. Earthly Me Microenterprise Grant for business development, including an online presence and strategic marketing.
3. Bodyfree, LLC Microenterprise Grant for business development, including online classes, webinars, downloadable training, website improvements, and marketing.
4. Big Blue Café Economic Development Business Assistance: Job Retention loan for inventory to reopen after fire damage, and to retain employees impacted by COVID restrictions and delays in repairs to fire damage. The employee retention requirement was met, and the loan was forgiven.

## **CDBG Closeout Requirements.**

The City is required to hold a public hearing to discuss grant accomplishments and approve submission of a closeout certification to the State. A new CDBG closeout requirement this year pertains to Planning Only activities: the City Council is required to review and accept each resulting final product by City Resolution.

- A. Infill Market Study with Appendix. The City Council adopted the Infill Market Study (“Study”) dated January 8, 2021, prepared by Applied Development Economics, on February 3, 2021. An Appendix, the Workforce Housing Financial Feasibility Analysis, was prepared and submitted on April 27, 2023. The Infill Market Study with Appendix is found as Exhibit 1 to Attachment A.
- B. City of Arcata Housing Element, 6<sup>th</sup> Cycle. The City Council adopted the City of Arcata Housing Element, 6<sup>th</sup> Cycle, which was partially funded by the Planning Only activity, on December 18, 2019. The Housing Element is found as Exhibit 2 to Attachment A.

To meet CDBG requirements for Planning Only Activities, Resolution 234-01 (Attachment A), identifies, accepts, and approves the analysis and final reports.

All grant and Program Income public information relevant to the closeout report are available for review prior to the hearing at the Community Development Department office at City Hall. These materials will also be available at the hearing.

### **ENVIRONMENTAL REVIEW (CEQA):**

Each program or project that was funded under the grant required its own environmental review.

### **BUDGET/FISCAL IMPACT:**

A total of \$455,698 in program income was expended on grant activities prior to the ability to draw down grant funds due to program income rules in place during the grant period. A total of \$1,782,342 of the \$5,498,338 awarded grant (32%) was budgeted but unused, primarily due to the grant expiration and Wastewater Treatment Plant UV System project timeline. This amount will be disencumbered from the budgeted amount of the grant.

### **ATTACHMENTS:**

- A. Resolution No. 234-01 (PDF)