



STAFF REPORT – CITY COUNCIL MEETING

TO: Honorable Mayor and City Council Members

FROM: David Loya, Community Development Director

PREPARER: Sara Cunha, Community Development Specialist II

DATE: March 18, 2026

TITLE: Public Hearing to Authorize Submission of Three Applications for Funding under the State 2025 Community Development Block Grant (CDBG) Program.

RECOMMENDATION:

It is recommended that the Council:

- 1) Open the Public Hearing and receive public comments on potential projects for funding under the 2025 CDBG Notice of Funds Availability (NOFA); and
- 2) Adopt Resolution No. 256-40 (attachment A) authorizing submission of three 2025 CDBG applications; and Resolution No. 256-46 (Attachment B) designating the NEPA Certifying Officer for environmental documents related to applications described in Resolution No. 256-40.

INTRODUCTION:

The State Department of Housing and Community Development (HCD) released the amended 2025 CDBG NOFA on December 15, 2025. The City Council held Public Hearings on February 4, 2026, February 17, 2026, February 18, 2026, and February 27, 2026, to review and discuss eligible CDBG activities. At the February 27, 2026, public hearing the City Council directed Staff to apply for the eligible activities described below. Staff recommends submission of three applications, as identified in Resolution No. 256-40 (Attachment A). Resolution No. 256-46 (Attachment B) designates the National Environmental Policy Act (NEPA) Certifying Officer for the environmental documents for the applications. These actions would approve up to three Community Development Block Grant applications for a total of 3.6 million and designate the NEPA Certifying Officer for NEPA environmental documents.

BACKGROUND:

The City Council held Public Hearings on February 4, 2026, February 17, 2026, February 18, 2026, and February 27, 2026, to review and discuss eligible CDBG activities. At the February 27, 2026, public hearing the City Council directed Staff to apply for the Water Meter Replacement Project, Little Lake Planning and Technical Assistance, and the Economic Development and Microenterprise Assistance Program. Staff recommend submission of the three applications, as identified in Resolution No. 256-40 (Attachment A). Resolution No. 256-46 (Attachment B) designates the National Environmental Policy Act (NEPA) Certifying Officer for the environmental documents for

the applications. These actions would approve up to three Community Development Block Grant applications for a total of 3.6 million and designate the NEPA Certifying Officer for NEPA environmental documents.

DISCUSSION:

At the Public Hearings on February 4, 2026, February 17, 2026, February 18, 2026 and February 27, 2026 the City Council reviewed a number of proposed projects and programs. Under the 2025-CDBG NOFA the City is eligible to apply for up to three (3) eligible activities, with the total of all requests not to exceed \$ 3.6 million.

The City has or anticipates receiving approximately \$300,000 in CDBG Program Income this fiscal year.

Requests for General Administration (Admin) may be made up to 7% of the activity grant funding plus Activity Delivery (AD). AD is based on estimated staff hours for each activity type. Activity Delivery and the Admin allowance are shown in the table below.

The breakdown of project and program costs, including allocations for Activity Delivery and General Administration are as follows:

Activity Name	Grant Request	AD	Admin	Activity
Water Meter Replacement	\$2,900,000	\$406,542	\$189,719	\$2,303,739
Little Lake Planning	\$200,000	\$0	\$13,084	\$186,916
ED + ME Business Assistance Program	<u>\$500,000</u>	<u>\$70,093</u>	<u>\$32,710</u>	<u>\$397,197</u>
	\$3,600,000	\$476,635	\$235,513	\$2,887,852

The 2025-CDBG NOFA requires separate applications for each activity, but one Resolution No. for all activities is allowed. Staff recommends the Council adopt Resolution No. 256-40 approving submission of the three applications under the 2025-CDBG NOFA, which are described in more detail below:

1. Public Facilities and Improvements Project:

\$2.9 million for Water Meter Replacement. Upgrade water meter replacements to provide real time water usage monitoring and faster recognition of potential leaks throughout the City of Arcata.

2. Planning Activities:

\$200,000 for Little Lake Planning. The approximately 11-acre site located adjacent to the Marsh and, under the City’s agreement with the former redevelopment agency, must be used for economic development. This request would be a planning and technical application to help the City develop a clear redevelopment plan, better understand which uses are feasible given the site’s constraints, and ensure the plan is informed by robust community engagement.

3. Economic Development Activities:

\$500,000 for the Business Assistance Loan Program and Microenterprise Economic Development Loan and Grant Programs. Funds would be used to continue the City's Business Assistance and Microenterprise Programs.

Staff further recommend adopting Resolution No.256-46 designating the NEPA Certifying Officer for the proposed 2025-CDBG applications.

POLICY IMPLICATIONS:

The CDBG program has been used in a variety of projects and programs furthering the City Council's goals and priorities that are consistent with the Housing Element and General Plan.

ENVIRONMENTAL REVIEW (CEQA):

A NEPA Categorically Exempt per 24 CFR 58.34(a)(3) (Administration of Program) Environmental Review will be completed for General Administration costs prior to submission of grant applications to CDBG.

Other Environmental Review levels for each proposed activity are as follows:

1. Public Facilities and Improvements Project: Water Meter Replacement.

NEPA – The proposed project involves replacing existing water meters within the City's current water system with new meters that serve the same purpose and capacity. This project would improve monitoring and leak detection. Projects that qualify for a Categorical Exclusion Subject to §58.5 per 24 CFR 58.35 (a)(1) Replacement of public facilities and improvements in place that remain in the same use without increasing size or capacity by more than 20 percent will be included in the project without further environmental review. Projects that do not meet the Categorical Exclusion will be evaluated for inclusion with further environmental review.

California Environmental Quality Act (CEQA) – All projects that do not have unusual circumstances will qualify for an Existing Facilities Categorical Exemption (CEQA Guidelines Sec. 15301). Projects that do not qualify will be evaluated for inclusion.

2. Planning Activities: Little Lake Planning.

NEPA - The proposed activity consists of planning, feasibility studies, and community engagement related to potential redevelopment of the Little Lake site. The activity involves only planning and analysis and does not include construction or site disturbance. This activity is Categorically Exempt per 24 CFR 58.34(a)(1) Environmental and other studies, resources identification and the development of plans and strategies.

CEQA – This plan qualifies for the Commonsense exemption (CEQA Guidelines Sec. 15061(b)(3)). Developing a cost feasibility plan for the little lake site will have no impact on the environment. The study will provide planning that, if acted on, will include project based environmental review.

3. Business Assistance and Microenterprise Program.

NEPA – The proposed program provides financial assistance to small businesses and microenterprises for equipment, inventory, and operating costs. Projects that qualify for a Categorical Exclusions Not Subject to §58.5 per 24 CFR 58.35(b)(4) Economic development activities not associated with construction or expansion of existing operations. Projects that do not meet the Categorical Exclusion will be evaluated for inclusion with further environmental review.

CEQA – each project will be evaluated for environmental review prior to taking action. At this point, the City cannot speculate on the nature and types of business loans that the program may fund.

BUDGET/FISCAL IMPACT:

Each application has an associated Activity Delivery allocation, as determined by estimated staff hours, and a 7% General Administration allocation. Total Activity Delivery is estimated at \$476,635, and total General Admin is estimated at \$235,513. Both allocations will offset staff costs to deliver and administer the proposed grants. There is no matching funds requirement.

RECOMMENDED COUNCIL ACTION:

1. Open the public hearing;
2. Receive a staff report;
3. Receive public comment;
4. Motion to Adopt Resolution No. 256-40 authorizing submission of three 2025 CDBG applications; and Resolution No. 256-46 designating the NEPA Certifying Officer for environmental documents related to applications described in Resolution No. 256-40.

ATTACHMENTS:

- A. Resolution 256-40
- B. Resolution 256-46