



COUNTY OF MENDOCINO

Executive Office

DARCIE ANTLE
Chief Executive Officer
Clerk of the Board

501 Low Gap Road, Room 1010
Ukiah, CA 95482-3734

Email: ceo@mendocinocounty.gov
Website: www.mendocinocounty.gov

Office: (707) 463-4441
Facsimile: (707) 463-5649

MEMORANDUM

DATE: JULY 29, 2025

TO: BOARD OF SUPERVISORS

FROM: EXECUTIVE OFFICE

RE: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) & USE OF
PROGRAM INCOME (PI)

CDBG Background

The Community Development Block Grant (CDBG) Program is designed to assist rural cities and counties in improving economic opportunities and meeting community revitalization needs.

The CDBG program's primary objective is to develop viable communities by assisting in the provision of decent housing and quality living environments and expanding economic opportunities for persons of low and moderate-income. Only cities with populations under 50,000 and counties with populations under 200,000 are eligible for non-entitlement CDBG funds.

CDBG funds are provided as grants to non-entitlement jurisdictions, cannot supplant general fund dollars and are intended as gap financing to help complete critical community projects. Grants vary based on annual allocations and activity limits.¹

CDBG Project Criteria

Every project, program, or activity, including Program Income projects, that receives CDBG funds through HCD must meet two criteria: the project must meet a national objective and it must also be an eligible activity.

- National objective: benefit to low-to moderate income persons, elimination of blight, urgent need.
- Eligible activities: acquisition of real property, public facilities and improvements, code enforcement, clearance, rehabilitation, reconstruction and construction of buildings, architectural barrier removal, loss of rental income, disposition of real property, public services, payment of non-federal share, relocation, planning and capacity building, program administration, economic assistance to for profit businesses, housing services, microenterprise assistance, homeownership assistance, lead based paint hazard evaluation and reduction.

¹ CDBG Grants Management Manual – Chapter 1 Program Overview

Any activity not explicitly authorized under CDBG statute or regulations is ineligible for CDBG funds. Please see the enclosed RFP for a more in-depth discussion of eligibility.

2025 Notice of Funding Availability

HCD has announced that the 2025 Notice of Funding Availability (NOFA) will be released in late July. Currently, the precise level of CDBG funding available through the 2025 NOFA is unknown. The 2024 NOFA allowed jurisdictions to apply for up to three projects with the combined funding for all activities not to exceed \$3.6 million.

Current & past County CDBG projects:

- Round Valley Community Clean-Up
- Micro-Enterprise Business Technical Assistance
- Micro-Business Assistance Loans

Program Income (PI)

Some CDBG activities, such as first-time homebuyer programs, home rehabilitation loans, or business assistance loans, generate program income (PI), extending CDBG dollars further. Program income is defined as gross income generated from CDBG funds. PI perpetually retains its federal identity and must be used for CDBG-eligible activities that meet a national objective. Grantees must track and report the receipt of all funds generated from CDBG assistance throughout the year. As PI accumulates, HCD requires these funds to be utilized for eligible CDBG activities. Grantees must create a plan for PI to be used in open or future awards. A grantee can expend up to seventeen percent of annual PI receipts for the most recently completed fiscal year on general administration expenses. Just like regular CDBG funds, grantees are not allowed to use PI or general administration funds for maintenance or repair of facilities or for the general conduct of government.²

PI cannot be banked, and there must be a plan in place to use PI existing funds before applying for further CDBG funding. Any grantee with PI on hand or anticipates having PI on hand that does not have an agreement in place with HCD and does not have an open Standard Agreement with a commitment to expend the PI funds on an activity identified in a Standard Agreement can be required to remit the PI (the amount on hand and any future receipts) to HCD.³

Allowed Uses of PI Funds

Program income (PI) can be allocated in three different ways:

1. Including PI in the application budget when applying for an over the counter (OTC) or competitive award.
2. Submitting a PI-only application for a CDBG-eligible activity (which can be submitted at any time).
3. Adding PI to an existing award.

Program income is treated like CDBG grant funds and may only be used for eligible CDBG projects or programs that comply with federal requirements. To note again, every project, program, or activity that receives CDBG funds must meet two criteria: the project must meet a national objective and be an eligible activity. Of special note, planning activities and service delivery are not allowable activities for PI.

³ Community Development Block Grant Final Guidelines 2019

Past County projects that utilized program income include:

- Business Assistance Revolving Loan Program
- Microenterprise Business Technical Assistance
- Town of Mendocino ADA Ramp
- Homeless Shelter Property Acquisition & Rehabilitation
- Pelicans Bluff ADA Coastal Trail
- Mill Creek Park Fishing Platform ADA Improvement

Request for Proposal (RFP)

The Grants Unit with support of the Economic Development Division and other staff conducted a competitive Request for Proposal (RFP) process earlier this year to allocate County Program Income (PI), with the potential to leverage additional funding through the anticipated 2025 CDBG Notice of Funding Availability (NOFA) which is expected to be released in late July. The RFP invited projects that align with CDBG goals and benefit low- and moderate-income residents. Twelve applications were received, and the top scoring, CDBG eligible proposals were invited for interviews.

The RFP review committee evaluated all received proposals using a comprehensive set of criteria to identify projects best aligned with County priorities and the goals of the CDBG Program. Evaluation factors included community impact and benefit to low- and moderate-income (LMI) populations, strength of the implementation plan and schedule, alignment with County plans and priorities, organizational capacity and relevant experience, project cost and potential for leveraging additional funds, and letters of support. In addition to scoring, staff assessed the top-ranked proposals for eligibility and consistency with CDBG program guidelines through meetings with HCD staff. Projects that comprehensively fulfilled the eligibility criteria are being brought forward for funding consideration by the Board.

Based on the RFP process, the committee recommends the following three projects for funding with PI funds:

- **Laytonville Healthy Start - Employment Training - \$180,635**
This project aims to provide comprehensive employment support services to low- and moderate-income residents, enhancing individual resilience and increasing access to stable, high-quality jobs. The program will offer a wide range of services, including assistance with accessing technology for job applications, creating compelling résumés, conducting job searches, filling out applications, and referrals to partner agencies. Additionally, the program will host annual job fairs and quarterly workshops focused on job skills. To raise awareness of the Family Resource Center's new employment-focused services, an extensive media campaign will be conducted.
- **Whale Gulch School – ADA Pathway Project – \$42,795**
This project aims to enhance accessibility at Whale Gulch School by reconstructing the pathway between the elementary school and the restroom buildings to comply with ADA and California Building Code standards. These upgrades are essential for meeting Division of the State Architect (DSA) standards, ensuring student safety and ensuring that all students are able to participate fully in their education, and maintaining the school's liability insurance coverage, which can only continue if the district demonstrates progress toward obtaining DSA approval. Given the small, rural nature of

the district and its very low bonding capacity—making it nearly impossible for a bond measure to pass if put to a vote—the district cannot complete these critical facility upgrades without external funding.

- **Whale Gulch School – Fire Alarm Project - \$128,295**

This project will expand the existing fire alarm system to cover the entire Whale Gulch School campus, ensuring compliance with California Education Code and Division of the State Architect (DSA) standards. It is part of a broader effort to bring the campus up to ADA accessibility requirements and maintain the school's liability insurance, which depends on demonstrated progress toward DSA approval. The district is unable to complete essential facility upgrades without external funding, as it lacks the bonding capacity and eligibility for other state modernization funds, such as Proposition 2.

The RFP Committee also recommends MCHC's urgent care clinic project for the 2025 NOFA given the project size of \$3,300,000. MCHC proposes to develop a state-of-the-art urgent care center in Ukiah to provide high-quality healthcare services to area residents, whereby more than three-quarters of patients are on Medi-Cal, Medicare or another public insurance. MCHC proposal requests assistance with site-related public improvements, ADA accessibility upgrades and public facility rehabilitation and construction of the existing site.

Conclusions

With the Board's direction and authorizing resolution, the Grants Unit will finalize and submit three Program Income applications for the above projects. Of note, the County of Mendocino has a projected \$642,294 in CDBG Program Income as of June 30, 2025, prior to the approval of these applications, available to allocate toward eligible CDBG projects. Planning for future projects (July NOFA & remaining PI) will be forthcoming, and staff will return to the Board for direction on priorities for the use of these funds to support community and economic development initiatives.