



# COUNTY OF MENDOCINO

## Executive Office

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### MEMORANDUM

DATE: NOVEMBER 4, 2025

TO: BOARD OF SUPERVISORS

FROM: EXECUTIVE OFFICE

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

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#### 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.<sup>1</sup>

#### 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.

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<sup>1</sup> CDBG Grants Management Manual – Chapter 1 Program Overview

Any activity not explicitly authorized under CDBG statute or regulations is ineligible for CDBG funds.

### 2025 Notice of Funding Availability

The 2025 Notice of Funding Availability (NOFA) was released on September 30, 2025, with the submission portal scheduled to open on December 1, 2025. HCD announced the availability of approximately \$27 million in funding available through the federal Small Cities Community Development Block Grant Program (CDBG) for the 2025 funding year. The 2025 NOFA allows jurisdictions to apply for up to three projects with the combined funding for all activities not to exceed \$3.6 million.

Activity limits include the following:

- Public Service: up to \$300,000
- Planning: up to \$300,000
- Projects: up to \$3.3 million
- Programs (Housing & Economic Development): up to \$1.5 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.<sup>2</sup>

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.<sup>3</sup>

### 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.

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<sup>3</sup> Community Development Block Grant Final Guidelines 2019

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 regular CDBG grant funds in most cases and may only be used for eligible CDBG projects or programs that comply with federal requirements. 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 funds.

Past County projects that utilized program income include:

- Business Assistance 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

### 2025 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). 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 were brought forward for funding consideration by the Board.

Based on the RFP process, the committee recommended the top projects for funding at the July 29, 2025, Board meeting.

- Laytonville Healthy Start - Employment Training - \$180,635
- Whale Gulch School – ADA Pathway Project – \$42,795
- Whale Gulch School – Fire Alarm Project - \$128,295

The RFP Committee also recommended MCHC's application for an 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.

### **November Board of Supervisors Public Hearing**

Staff is returning to the Board of Supervisors to seek direction on priorities for allocating the remaining 24-25 CDBG Program Income (PI) funds, which must be assigned to eligible projects before the County can pursue competitive CDBG funds through the 2025 NOFA. As of June 30, 2025, the County had a balance of \$647,950 in CDBG PI available for eligible projects. Following the Board's direction in the July 29, 2025, BOS meeting, staff began preparing applications for the approved projects. However, during this process, HCD notified the County that the Board-approved Laytonville employment training project was ineligible for Program Income funding, despite earlier confirmation of its eligibility by HCD. As a result, the application cannot proceed, leaving the County with \$479,931 in available Program Income.

With the 2025 NOFA released on September 30 and applications opening December 1, staff must demonstrate to HCD that the County has a clear plan for allocating remaining PI before pursuing competitive CDBG funds. Staff is therefore returning to the Board to present recommendations for funding two PI projects. These projects are closely aligned with CDBG criteria and program goals. Evaluation considered several key factors: community impact, benefits 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, and project cost.

### **County of Mendocino | Business Loan Program | \$379,931**

The County of Mendocino's Business Loan Program will use CDBG funds to offer flexible, low-interest, forgivable loans to start-ups, business expansions, and projects that focus on job creation and retention. The program will prioritize businesses that can demonstrate their ability to create or retain jobs for low- and moderate-income (LMI) residents, enhance economic resilience, and strengthen the local tax base. Eligible loan uses will include equipment purchases, working capital, leasehold improvements, and site development. To qualify, businesses must provide documentation showing public benefit, through job creation or retention for LMI individuals, and meet federal requirements. The Economic Development Division will manage the program, aligning with the County's economic development strategy to promote entrepreneurship, rural business vitality, and expanded access to capital.

### **Centro Negocio West (CNW) | Spanish Language Microenterprise Technical Assistance Project | \$100,000**

Established in 2021 by West Center, Centro de Negocios West (CNW) is Mendocino County's only no-cost, Spanish-language business resource, created to break down barriers for rural Latino entrepreneurs. Through the project, CNW aims to empower low- to moderate-income Spanish speaking microentrepreneurs with culturally responsive counseling, training, workshops, and networking. Its hybrid service model, offering in-person, mobile, and online support, directly tackles language, cultural, and geographic challenges, helping microenterprises formalize, grow, and create jobs. By providing tailored, holistic assistance, CNW closes critical gaps in access to resources and opportunity, building a more inclusive, equitable, and resilient local economy.

### **Conclusions**

With the Board's direction and authorizing resolution, the Grants Unit will finalize and submit the Program Income applications for the above projects. Of note, the County of Mendocino has \$647,950 in 24-25 CDBG Program Income as of June 30, 2025, and \$479,931 remains available to allocate toward eligible CDBG projects. Planning for future projects (2025 NOFA & 25-26 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.