

**PLACER COUNTY**  
**COMMUNITY DEVELOPMENT GRANTS AND LOANS**  
**MEMORANDUM**

**TO:** Honorable Members of the Board of Supervisors  
**FROM:** Richard E. Colwell, Chief Assistant CEO – Redevelopment Director *RE Colwell*  
**DATE:** June 13, 2006  
**SUBJECT:** Conduct a Public Hearing and Adopt a Resolution Approving Revisions to the Community Development Block Grant Program Income Reuse Plan.

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**ACTION REQUESTED:** Conduct a public hearing and adopt a resolution approving revisions to the Community Development Block Grant (CDBG) Program Income Reuse Plan.

**BACKGROUND:** Placer County is required by the State Department of Housing and Community Development to adopt a Program Income Reuse Plan. Program Income funds are CDBG monies returned to the County from loan payoffs and other authorized repayments. Program Income is recycled to supplement regular grant programs. On an annual basis, Program Income generates approximately \$350,000-\$400,000 in revenue. Examples of Program Income funded projects in the past include the Senior Independent Services Handyperson Program (formerly Foothill Volunteer Center), housing rehabilitation projects and business improvement loans. First Time Homebuyer loans have also been provided with Program Income. Your board last adopted revisions to the Program Income Reuse Plan on March 29, 2005.

This revised plan contains minor adjustments to the Revolving Loan Account (RLA) percentages. The State requires a separate RLA for each type of redevelopment activity. The new percentages are housing rehabilitation loans-15% (vs. 36%), business assistance loans-15% (vs.16%), community facilities, including transitional housing--30% (no change), and First Time Homebuyers – 40% (vs.18%).

This fully compliant plan is necessary for Placer County to be eligible to apply for future CDBG grant funds.

**FISCAL IMPACT:** There will be no impact on the General Fund. This is an administrative action only pertaining to the County's Community Development Grants and Loans Fund.

**ENVIRONMENTAL:** This plan is exempt from both the California Environmental Quality Act and the National Environmental Policy Act.

**STAFF RECOMMENDATION:** Conduct a public hearing and adopt a resolution approving revisions to the CDBG Program Income Reuse Plan.

cc: Sabrina Thompson, Deputy County Counsel

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# Before the Board of Supervisors County of Placer, State of California

In the matter of:

**ADOPT A RESOLUTION APPROVING REVISIONS  
TO THE COMMUNITY DEVELOPMENT BLOCK  
GRANT PROGRAM INCOME REUSE PLAN**

Resol. No: \_\_\_\_\_  
Ord. No: \_\_\_\_\_  
First Reading: \_\_\_\_\_

The following Resolution was duly passed by the Board of Supervisors  
of the County of Placer at a regular meeting held June 13, 2006  
by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

\_\_\_\_\_  
Attest:  
Clerk of said Board

\_\_\_\_\_  
Chair, Board of Supervisors

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WHEREAS, the State Department of Housing and Community Development requires that Placer County annually, adopt a Reuse Plan that governs the distribution of income generated from the use of Community Development Block Grant (CDBG) funds; and

WHEREAS, the Placer County Board of Supervisors held a public hearing on June 13, 2006 where local citizens have had an opportunity to comment on the plan and the Board identified CDBG compliant local programs to enhance the quality of life for low-income residents of the unincorporated area.

THEREFORE BE IT HEREBY RESOLVED that the Board of Supervisors of Placer County, State of California, hereby adopts the attached State compliant July 1, 2006 CDBG Program Income Reuse Plan.

**PLACER COUNTY**  
**PROGRAM INCOME REUSE PLAN**  
A Reuse Plan Governing Program Income From CDBG-Assisted Activities  
Adopted by Board of Supervisors Resolution  
Effective July 1, 2006

The purpose of this plan is to establish guidelines on the policies and procedures for the administration and utilization of program income received as a result of activities funded under the State Community Development Block Grant Program ("CDBG").

**Need for Plan Governing Reuse of Program Income (PI).** This Reuse Plan is intended to satisfy the requirements specified in federal statute and regulation at Section 104 (j) of the Housing and Community Development Act ("the Act"), as amended in 1992 and 24 CFR 570.489 (e) (3). These statutory and regulatory sections permit a unit of local government to retain program income for CDBG-eligible community development activities. Under federal guidelines adopted by the State of California's CDBG program, local governments are permitted to retain program income as long as the local government has received advance approval from the State regarding a local plan that will govern the expenditure of the program income. This plan has been developed to meet that requirement.

**Program Income Defined.** Program income is defined in federal regulation at 24 CFR 570.489 (e) which specifies that program income is the gross income received by the jurisdiction that has been directly generated from the use of CDBG funds. (For those program income-generating activities that are only partially funded with CDBG funds, such income is prorated to reflect the actual percentage of CDBG participation). Examples of program income include: payments of principal and interest on housing construction, rehabilitation or business loans made using CDBG funds; interest earned on program income pending its disposition, and interest earned on funds that have been placed in a revolving loan account, net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds, income (net of costs that are incidental to the generation of the income) from the use or rental of real property that has been acquired, constructed or improved with CDBG funds and that is owned (in whole or in part) by the participating jurisdiction or subrecipient.

If the total amount of income generated from the use of CDBG funds (and retained by the County) during a single fiscal year (July 1 through June 30) is less than \$25,000, then these funds shall not be deemed to be program income and shall not be subject to these policies and procedures. However, Quarterly and Annual Program Income Reports must be submitted regardless of whether the \$25,000 threshold is reached or not.

**Portfolio Management Costs.** Costs of managing the portfolio of CDBG-funded loans may be charged to PI under general administration or activity delivery within the allowable limits set by HCD.

**General Administration Cost Limitations.** Up to eighteen percent (18%) of the total program income expended on all activities during a single program year may be used for CDBG general administration expenses.

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**Reuses of Program Income.** Program income must be: a) disbursed for an activity funded under an open grant prior to drawing down additional Federal funds; b) forwarded to the State of California, Department of Housing and Community Development (Department); or c) distributed according to this Program Income Reuse Plan that has been approved by Placer County and the California State Department of Housing and Community Development (HCD). The County's program income will be used to fund *eligible* CDBG activities that meet a *national objective*. National objectives include removal of slum and blight, emergency health and safety, and benefit to low-income households. Eligible activities and national objective requirements are specified in federal statute at Section 105(a) and in federal regulations at 24 CFR 570.482 and 24 CFR 570.483.

The Reuse Plan shall be adopted by the local governing body only after compliance with the County's citizen participation process as specified in Federal Regulations at 24 CFR 570.486, Local Government Requirements.

The County reserves the option of utilizing program income to fund/augment a CDBG funded activity included in a grant agreement. The County must first follow the citizen participation process, hold a public hearing, obtain a governing body resolution, and obtain approval from the State CDBG Program.

**Planning Activities.** The County reserves the option of utilizing program income, within the 18% general administration annual cap, to fund planning for CDBG-eligible activities. Such planning activities may include: cash match for a State CDBG Planning and Technical Assistance Grant; environmental reviews or other studies necessary for CDBG-eligible projects or programs; or application preparation for CDBG or other grants/loans to supplement funding for CDBG-eligible activities. The costs of such planning activities may be charged to a Revolving Loan Account (RLA) if the planning is for the same activity as the RLA. Otherwise, PI may only be expended on planning activities in conjunction with an open CDBG Planning and Technical Assistance grant.

**Distribution For Reuse of Program Income.** The County's program income not committed to open grant activities will be distributed as follows:

Four revolving loan accounts (RLAs) are established to utilize the program income.

The allocations to the RLAs are as follows:

- a) The Housing Rehabilitation Revolving Loan Account – 15% of all program income will be deposited into this fund.
- b) The First Time Home Buyer Revolving Loan Account -- 40% of all program income will be deposited into this fund.
- c) The Community Facilities Revolving Loan Account – 30% of all program income will be deposited into this fund.
- d) The Business Assistance Revolving Loan Account – 15% of all program income will be deposited into this fund.

Funds shall not be transferred between RLAs or to an open grant activity without conducting a properly noticed CDBG Citizen Participation public hearing. However the

transfer of program income between RLAs and to grant-funded activities during the program year in the aggregate amount of \$5,000 or less will not be subject to the citizen participation requirement to hold a properly noticed public hearing. If it becomes necessary to transfer funds between RLAs we will consider revising the above distribution formula.

### **Reporting and Federal Overlay Compliance.**

The County shall comply with all State CDBG reporting requirements, including submittal of an annual Grantee Performance Report that reports on all of the County's RLAs, and the required Quarterly and Annual Program Income Reports, which should combine PI receipts and actual PI expenditures from all RLAs and grants on one report (due by August 15). The County shall ensure that the use of program income under this Reuse Plan complies with all CDBG program requirements, including citizen participation, environmental review, equal opportunity, Section 3 employment, lead-based paint, labor standards, acquisition and relocation, procurement, property management, and maintenance of adequate accounting and recordkeeping systems. To ensure ongoing compliance with CDBG requirements, the County shall utilize the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and policies. The County shall obtain the Department's written approval before proceeding with any program income funded activity.

### **Maximum Funds in Revolving Loan Accounts.**

Program income received by the RLAs during the fiscal year (July 1 through June 30) shall be substantially expended by the end of the fiscal year (June 30). At any given time, the funding balance for any of the RLAs should not exceed the typical cost of a single RLA project, plus reasonable administration costs (up to 18% of total expended costs). *For example, if the average Housing Rehabilitation PI loan cost (including activity delivery and general administration) is \$175,000, the balance of our Housing RLA will not typically exceed this amount. If our average Business loan cost (including activity delivery and general administration) is \$175,000, the balance of our Business Expansion and Retention RLA will not typically exceed this amount.*

**Revising this plan.** The Board of Supervisors has the authority to amend this document with a properly noticed Board meeting and approval by HCD.

**Revolving Loan Accounts.** The purposes and allowed uses of funds under these RLAs are as follows: Four accounts are hereby established:

#### **1. Housing Rehabilitation Revolving Loan Account.**

This fund will be principally used for the purpose of making loans to rehabilitate residential units occupied by households which have an annual income that is 80% or less of the County's median income. At least 51% of the funds expended for the activity funded under this RLA during the fiscal year shall be used on revolving activities (i.e., loans).

The total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49% of the total funds actually expended during the fiscal year (July 1 thru June 30).

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Housing Rehabilitation Program Guidelines that have been adopted by the County. All assistance provided to activities under this RLA shall be made for activities that are located within the County's jurisdiction.

If the activities funded under this RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG Program.

## **2. First Time Home Buyer Revolving Loan Account.**

This fund will be principally used for the purpose of making loans to provide down payment assistance for first-time home buyers with annual income that is 80 percent or less of the County's median income. At least 51% of the funds expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans).

The total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49% of the total funds actually expended during the fiscal year (July 1 thru June 30).

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Home Buyer Program Guidelines that have been adopted by the County. All assistance provided to activities under this RLA shall be made for activities that are located within the County's jurisdiction.

If the activities funded under this RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG Program.

## **3. Community Facilities Revolving Loan Account**

This fund will be used to provide financing for community facilities that will principally assist individuals or families who have annual income that is 80% or less of the County's median household income, adjusted for size. Eligible activities may include the acquisition, rehabilitation, or new construction of buildings and grounds used for public purposes such as training, health services, education, recreation, nutrition, shelter, day care, temporary housing, and fire protection. At least 51% of the funds expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans).

The total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49% of the total funds actually expended during the fiscal year (July 1 through June 30).

Requests for CDBG loan or grant assistance under this RLA shall be reviewed by the approving authority on a case-by-case basis. All assistance provided to activities under this RLA shall be made for activities that are located within the County's jurisdiction or for activities that serve people who live within the County's jurisdiction.

If the activities funded under this RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG Program.

#### **4. Business Assistance Revolving Loan Account.**

This fund will be used to provide "gap" financing for businesses that can document the need for CDBG assistance and that will create or retain qualifying permanent jobs that will be principally filled by members of households which have an annual income that is 80% or less of the County's median household income, adjusted for size. At least 51% of the funds expended for activities funded under this RLA shall be used on revolving activities (i.e., loans) during the fiscal year (July 1 through June 30).

If the activities funded under this RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG Program.

The review and funding of requests for CDBG loan assistance under this RLA shall be conducted under the federal underwriting guidelines specified at 24 CFR 570.482 (e) that have been adopted by the County and incorporated in the RLA's project review procedures. These guidelines will ensure that the amount and terms of the CDBG assistance are appropriate, given the documented needs of the business and given the amount of public benefit (job creation/retention) that will result from the CDBG-assisted project. In addition, any activity requesting funding under this RLA shall be deemed to be eligible under Section 570.482 and Section 105 (a) of the Act and shall be determined to provide sufficient public benefit as specified under Section 570.482 (f). Any CDBG assistance for infrastructure shall meet the requirements of Section 570.483 (b) (4) (F) which requires ongoing job tracking for all businesses that initially benefit from an infrastructure project as well as any subsequent business(s) benefiting from these improvements. All assistance provided to activities under this RLA shall be made for activities that are located within the County's jurisdiction.

