

MEMORANDUM

DEPARTMENT OF PUBLIC WORKS
County of Placer

TO: BOARD OF SUPERVISORS

DATE: JULY 10, 2012

FROM: KEN GREHM ^{KG}

SUBJECT: **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME REUSE PLAN**

ACTION REQUESTED / RECOMMENDATION

Adopt a Resolution approving revisions to the Community Development Block Grant (CDBG) Program Income Reuse Plan.

BACKGROUND / SUMMARY

Placer County has received Community Development Block Grant (CDBG) Funds for various redevelopment programs including those involving housing rehabilitation, first-time homebuyers programs and business/job growth assistance. Some of this funding has been used to make loans to qualified families and businesses that are repaid over time. The income the County receives from repayment of these loans becomes Program Income, and is available to the County to assist other individuals and businesses that qualify under CDBG guidelines. Program Income funds are CDBG monies returned to the County from loan payoffs and other authorized repayments either from housing or business assistance. Program Income may be used to: make new loans, supplement existing grant programs, and cover expenses associated with running the program. Past Program Income was utilized to fund housing rehabilitation projects and first time homebuyer loans. The County is required by the State Department of Housing and Community Development to have a Program Income Reuse Plan which can be revised when needed, after a public hearing.

Your Board last adopted revisions to the Program Income Reuse Plan on May 13, 2008. At that time, the Business Assistance Revolving Loan Account (RLA) was eliminated because of a lack of activity due, in part, to the expense of Federal Davis Bacon prevailing wage and job creation compliance regulations and the relatively small amounts of money that were accumulating in that account. Since that time, staff has received several inquiries from businesses where use of CDBG program income would be appropriate. By reinstating a business assistance account, businesses will find it financially feasible to participate. The amount collected in this fund is slated to rise over the next few years, as we have a number of past loans that are nearing maturity, and the repayments will grow the business assistance account making new loan amounts large enough to be attractive to applicants again. Program Income reuse money has fewer regulations than a typical CDGB grant, and could be used County-wide for qualified activities at the discretion of your Board.

The proposed revised Program Income Reuse Plan also eliminates the Community Facility Revolving Loan Account (RLA). This revolving loan account category is no longer eligible and the language associated with the RLA was removed per CDBG guidelines. The State requires a separate RLA for each type of redevelopment activity. Since we are reinstating the Business Assistance Revolving Loan Account, the revised plan adjusts the percentage allocations. The proposed RLA percentages are 20% homebuyer assistance, 20% housing rehabilitation assistance and 60% business assistance.

In addition, staff has requested and received authority from the State for revolving activities to allow CDBG Program Income funds currently on hand to fund public infrastructure activities in Sheridan. At a total cost of \$151,654, the public infrastructure activity consists of extending recently installed asphalt multipurpose paths to a mobile home park in Sheridan. The existing asphalt multipurpose paths were installed as part of a Safe Routes to School project through the County's Public Works Department. The extension of these paths will complete the Safe Routes to School Project connection, from the school to the mobile home park where numerous children who attend the local elementary school reside.

ENVIRONMENTAL

This plan is an administrative action that is exempt from both the California Environmental Quality Act and the National Environmental Policy Act.

FISCAL IMPACT

The approximate value of various loans outstanding is \$1,900,000. The current unencumbered balance in each account is as follows:

Housing Rehabilitation - \$42,927
Housing (First Time Home Buyers) - \$106,903
Business Assistance - \$12,986

The proposed action will re-distribute percentage allocations of future receipts of CDBG Program Income funds within approved CDBG categories. This administrative action pertains to the County's Community Development Grants and Loans Funds. There will be no impact on the General Fund.

Attachment: Resolution
Program Income Reuse Plan

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

**In the matter of: A RESOLUTION APPROVING
A REVISION 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 _____, 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

BE IT HEREBY RESOLVED by the Board of Supervisors of the County of Placer, State of California, that this Board authorizes the Chairman of the Board of Supervisors to

Approve the revised Community Development Block Grant Program Income Reuse Plan including provisions providing future revenues being allocated to the following programs:

Homebuyer Assistance – 20%
Housing Rehabilitation – 20%
Business Assistance – 60%

COUNTY OF PLACER

PROGRAM INCOME REUSE PLAN

A reuse Plan Governing Program Income from CDBG – Assisted Activities

PLACER COUNTY BOARD OF SUPERVISORS ADOPTION DATE: _____

The purpose of 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 of California 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) and (f). 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 so long as the local government has received advance approval from the State of 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 specify 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 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 sub-recipient.

If the total amount of income generated from the use of CDBG funds (and retained by the **County**) during a single program 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.

Portfolio Management Costs: Costs of managing the portfolio of CDBG funded loans may be charged to PI under general administration within the allowable limits set by the State Department of Housing and Community Development (HCD).

General Administration (GA) Cost Limitation: No more than eighteen percent (18%) of the total amount of PI received annually may be expended for general administrative costs. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49 percent (49%) of the total funds expended during the program year (July 1 through June 30).

Reuses of Program Income: Program Income must be:

- a) disbursed for an approved 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 (HCD);
- c) distributed according to this Program Income Reuse Plan after it has been approved by HCD and adopted by the local governing board in compliance with the **County's** citizen participation process as specified in Federal regulations at 24 CFR 570.486, Local Government Requirements; or
- d) by special request through HCD; may consider using Program Income for CDBG eligible non-revolving activities other than those for which the Revolving Loan Account (RLA) was established.
 - i. This process will involve discussion at a properly noticed public hearing held in front of the governing body, and submission of a formal Resolution as part of a Program Income-Funded Waiver Request to HCD, in accordance with CDBG Management Memorandum Number 10-03.
 - ii. Final commitment and expenditure of Program Income funds will not commence until clearance of all required Special Conditions have been met, and formal written approval issued from HCD has been received.

The **County's** Program Income will be used to fund eligible CDBG activities that meet a national objective. 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.

Funds shall not be transferred between RLAs, to an open grant activity, or used for a PI Waiver 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, but must be submitted to HCD for written approval. If it becomes necessary to transfer funds between RLAs, the **County** will consider revising the distribution formula.

Adoption of the Plan: The **County Board of Supervisors** shall take action on this Program Income Reuse Plan or any amendments thereto AFTER the local citizens have had an opportunity to comment on the Plan per 24 CFR 570.486, Local Government Requirements.

Planning Activities: The **County** reserves the option of utilizing Program Income, within the 18 percent general administration annual cap, to fund planning for CDBG-eligible activities.

Distribution for Reuse of Program Income: The **County's** Program Income will be distributed as follows:

Three Revolving Loan Account(s) (RLA) **are** hereby established to utilize the Program Income. The allocation to each RLA is as follows:

- a) **20%** of Program Income will be deposited into the **Housing Rehabilitation** Revolving Loan Account (HR-RLA)
- b) **20%** of Program Income will be deposited into the **Direct Homeownership Assistance** Revolving Loan Account (DHA-RLA)
- c) **60%** of Program Income will be deposited into the **Business Assistance** Revolving Loan Account (BA-RLA)

Special requirements of the revolving loan account: The review and funding of requests for CDBG loan or grant assistance under an RLA shall be under the Federal underwriting guidelines. All assistance provided to activities under an RLA shall be made for activities that are located within the **County** unincorporated boundaries, unless prior written approval from HCD has been received by the **County**.

Reporting and Federal Overlay Compliance: The **County** shall comply with all State CDBG reporting requirements, including submittal of a single annual Grantee Performance Report that reports on all of the **County's** RLAs and PI Waiver activities, and the required Bi-Annual and Annual Program Income Reports, which shows combined PI receipts and actual PI expenditures on one report. 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 and State CDBG Management Memos for guidance on compliance procedures and policies.

Maximum funds in Revolving Loan Accounts: Program Income received by the RLA during the program year (July 1 through June 30) shall be substantially expended by the end of the program year (June 30).

Revising this plan: The **County Board of Supervisors** has the authority to amend this document with a properly noticed **County Board of Supervisors** meeting, and approval by the State Department of Housing and Community Development (HCD).

The purposes and allowed uses of funds under this/these RLA(s) are as follows:

- **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 80 percent (80%) or less of the **County's** median income.

No more than 19 percent (19%) of the funds expended from this RLA shall be used for activity delivery costs. At least 51 percent (51%) of the funds expended for activities funded under this RLA shall be used on revolving activities (i.e., loans).

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 the 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.

- **Direct Homeownership Assistance Revolving Loan Account**

This fund will be principally used for the purpose of making loans or grants for the purchase of a housing unit by households which have an annual income 80 percent (80%) or less of the **County's** median income.

A low-income family has an annual income which is 80% or less of the **County's** median income. At least 51 percent of the funds expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans).

No more than 8 percent (8%) of the funds expended from this RLA shall be used for activity delivery costs. At least 51 percent (51%) of the funds expended for activities funded under this RLA shall be used on revolving activities (i.e., loans).

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

If the activities funded under the 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.

- **Business Assistance Revolving Loan Account**

This fund will be used to provide 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 80 percent (80%) or less of the **County's** median income.

No more than **50** percent of the Program Income funds expended during the program year under this RLA shall be for grants for public infrastructure improvements that are needed to accommodate a specific business expansion or retention project.

No more than **15** percent of the total funds expended for business assistance activities shall be used for activity delivery costs. At least 51 percent of the funds actually expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans).

If the activities funded under the 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 actually expended **PRIOR** to drawing down funds from the State CDBG program.

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Federal underwriting guidelines specified at 24 CFR 570.482 (e) that have been incorporated into the **County's** adopted Business Revolving Loan Fund Program Guidelines and include the 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.

If the activities funded under the 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.