



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Report

Legistar File Number: 14-1257

December 16, 2014

Introduced: 11/12/2014

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve amendments to loan documents between the County and South County Housing Corporation to reassign additional Community Development Block Grant Funds to the Camphora Highlands Farm Labor Camp project; and
- b. Authorize the Director of Economic Development to make minor modifications to the loan documents as necessary and sign them as well as any other documents necessary to implement the amendment.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve amendments to loan documents between the County and South County Housing Corporation to reassign additional Community Development Block Grant Funds to the Camphora Highlands Farm Labor Camp project; and
- b. Authorize the Director of Economic Development to make minor modifications to the loan documents as necessary and sign them as well as any other documents necessary to implement the amendment.

SUMMARY:

This action will increase the amount of the County's Community Development Block Grant (CDBG) loan to South County Housing (SCH) for the acquisition and rehabilitation of the Camphora Highlands Farm Labor Camp (the Camphora Highlands project) by \$34,580, from \$925,000 to \$959,580. The increase is a re-direction of CDBG funds made necessary by the California Department of Housing and Community Development (HCD)'s error in awarding the County a Planning and Technical Assistance Grant (PTAG) from CDBG funds to implement a different project. HCD subsequently determined that CDBG funds may not be used to fund the PTAG. HCD has approved the reassignment of the PTAG funds to the loan for the Camphora Highlands project which will assist in closing a funding gap for the project.

DISCUSSION:

On December 20, 2012, HCD approved a grant of \$1,036,400 for the County. The grant was awarded to fund two projects: acquisition and rehabilitation of the Camphora Highlands Labor Camp and a Regional Cut Flower Shipping Consolidation Study (Flower Study). In March 2012, the Board approved using \$925,000 of this CDBG grant to fund a loan to SCH to implement the Camphora Highlands project. The Board approved using \$34,580 of the CDBG award to implement the Flower Study. The balance of the grant, \$76,820, was allocated for administrative expenses to cover the County's cost in administering these projects.

SCH used the funds to refinance debt incurred in purchasing the Camphora Highlands Labor Camp and to make essential public safety improvements to the water storage and distribution

system. SCH has completed the water system improvements and the cost has exceeded the original cost estimate. Increasing the County CDBG loan will help SCH close the funding gap.

In September 2014, after the County had completed all administrative requirements to engage a contractor and perform the PTAG, HCD informed the County that that it had erred in approving the PTAG portion of the grant. HCD stated that the PTAG did not meet a CDBG National Objective and was therefore not an eligible use of CDBG funds. HCD has approved reassignment of the \$34,580 PTAG funds to the Camphora Highlands project. None of the \$34,580 in PTAG funding has been spent to date.

The County plans to complete the Flower Study with a portion of the \$76,820 administrative funding. This would leave \$42,240 for administrative tasks. To date, only \$6,000 has been spent on administrative tasks. The remaining \$36,240 is deemed more than sufficient to cover the remaining estimated administrative costs. The use of administrative funds to complete the Flower Study is allowable because administrative activities do not have to meet a CDBG National Objective. HCD concurs that use of CDBG funds originally designated for administrative expenses to fund the PTAG for the Flower Study is an appropriate use of CDBG funds.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed the amended loan documents as to form.

FINANCING:

There is no impact on the General Fund. Funding for the loan is included in the Community Development Fund (Fund 013, Organizational Unit 8200, Appropriations Unit DEO 013). Future repayment of the loan will be deposited back into the Community Development fund to finance future CDBG eligible projects.

Prepared by:

Jane Royer Barr
Housing Program Manager, Ext.5389

Approved by:

David L. Spaur, CEcD, EDFP
Economic Development Director

Attachments:

- Agreement Concerning the Use of CDBG Funds Amendment # 1 (Camphora Highlands)
- Amended and Restated Promissory Note
- Amendment Number 1 to Regulatory Agreement and Declaration of Restrictive Covenants
- Modification of Deed of Trust