



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 13-0329, **Version:** 1

- a. Hold a Public Hearing on Monterey County's Community Development Block Grant (CDBG) Program Income Reuse Plan with Jurisdictional Certifications;
- b. Approve the CDBG Program Income Reuse Plan with Jurisdictional Certifications; and
- c. Authorize the Director of Economic Development to execute the CDBG Program Income Reuse Plan with Jurisdictional Certifications.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Hold a Public Hearing on Monterey County's Community Development Block Grant (CDBG) Program Income Reuse Plan with Jurisdictional Certifications;
- b. Approve the CDBG Program Income Reuse Plan with Jurisdictional Certifications; and
- c. Authorize the Director of Economic Development to execute the CDBG Program Income Reuse Plan with Jurisdictional Certifications.

SUMMARY:

On March 19, 2013, the Board of Supervisors opened a public hearing on the County of Monterey's CDBG Program Income Reuse Plan. The public hearing was continued. The CDBG Program Income Reuse Plan format has been revised by the State of California, Department of Housing and Community Development (HCD) to comply with federal requirements. The County is required to adopt the new CDBG Program Income Reuse Plan as a condition of proceeding with projects recently funded by HCD through the CDBG program.

DISCUSSION:

The CDBG Program Income Reuse Plan (PI Reuse Plan) provides the policies and procedures associated with income received by the County that has been directly generated from the use of CDBG funds. Program Income is the repayment of principal, interest and fees on loans originally funded with a CDBG grant or CDBG Program Income. Reuse of the Program Income must comply with specific requirements and can only be used for CDBG eligible activities. CDBG regulations require the County to conduct a Public Hearing as part of the Board's consideration of the PI Reuse Plan. Notice of this public hearing was published on April 12, 2013, in the Salinas Californian, consistent with these regulations.

The County has received approximately \$30,000 in Program Income (PI) each year for the past three years. During the same three year period, Program Income generated from business loans has accounted for approximately 50% of that Program Income. As of December 31, 2012, the County had accumulated \$401,000.00 in Program Income and of that amount approximately \$116,756 was obligated to the Chualar Tot Lot project.

In October 2012 the California Department of Housing and Community Development (HCD) adopted a standardized format for PI Reuse Plans and began requiring jurisdictions to adopt it. The new PI Reuse Plan format proscribes six uses of Program Income: Revolving Loan Accounts (RLAs [Housing Rehabilitation-Single Family; Homeownership Assistance; Business Assistance; and Microenterprise Financial Assistance]);

Program Income Waiver Activities; committal to funding application; augmentation of awarded activity/project; General Administration; or returning it to HCD. The new format also includes much more specific information on the County's obligations regarding the use of Program Income. While the new format is considerably longer than the County's 2009 PI Reuse Plan, the core elements of what Program Income is, how it may be used and State and federal requirements are essentially unchanged. A summary of the 2009 and proposed PI Reuse Plans is attached.

The most significant change in HCD's new format is how Program Income is allocated to RLAs. The 2009 PI Reuse Plan allocated Program Income earned by business assistance directly back into that activity. The County allocation of Program Income derived from housing activities was 90% to a First Time Home Buyer RLA and 10% was allocated to a Housing Rehabilitation RLA. The new PI Reuse Plan requires the County to allocate 100% of Program Income to the RLAs on a formula basis regardless of the type of activity that generated the Program Income. The recommended allocation is 67% for housing rehabilitation; and 33% for business assistance. This allocation generally reflects the County's Program Income sources and its obligation to federal Economic Development Administration program requirements in regard to business assistance. In regard to the housing allocation, it is recommended that 100% of Program Income be allocated to the Housing Rehabilitation RLA as the County has State HOME Program Income that can be used for homeownership assistance. A copy of the proposed PI Reuse Plan is included as Attachment 1 to this staff report. A summary of the changes from the 2009 PI Reuse Plan and the proposed PI Reuse Plan is included as Attachment 2.

OTHER AGENCY INVOLVEMENT:

None.

FINANCING:

The adoption of the PI Reuse Plan has no impact on the General Fund. The County is allowed to use up to 17% of Program Income collected for administrative costs, including monitoring, recordkeeping, and reporting. Over the next two to three years, the County can expect to receive approximately \$48,000 in Program Income annually. This will yield approximately \$8,100 annually to cover the County's ongoing responsibilities related to the CDBG program.

Prepared by:

Darby Marshall, Housing Analyst
Ext. 5391

Approved by:

Dave Spaur, Director
Ext. 5387

Attachments: CDBG PI Reuse Plan with Jurisdictional Certifications and Summary of Changes.