



## Legislation Details (With Text)

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**Title:** Adopt City Council Resolution Amending the FY 2016-17 Budget to Use De-Federalized CDBG Funds Not to Exceed \$5,000 to Complete Final HOME Owner-Occupied Rehabilitation Project (Budget Amendment No. 2017-24, Account No. 131-5010-0630)

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Adopt City Council Resolution Amending the FY 2016-17 Budget to Use De-Federalized CDBG Funds Not to Exceed \$5,000 to Complete Final HOME Owner-Occupied Rehabilitation Project (Budget Amendment No. 2017-24, Account No. 131-5010-0630)

The City was awarded a Home Investments Partnership (HOME) grant in late 2013 to implement an Owner Occupied Rehabilitation Program. The grant awarded \$487,500 for pre-loan and loan/grant funding and \$12,500 for general administration tasks. Funding is for health and safety repairs for owner-occupied residences of income-qualified residents of Fort Bragg. All loans are zero interest, 30-year, deferred payment loans that must be repaid if homeowners refinance, transfer ownership, or leave their homes. Grants are allowed in conjunction with loans only for necessary homeowner relocation costs during construction and/or for lead-based paint evaluation and remediation. Loans may only be provided to income-qualified homeowners who must also meet a range of other requirements including documented need for health and safety home improvements and after-rehabilitation values that fall within modest limits. The funding allows up to 24% of loan/grant amounts for "Activity Delivery" tasks including applicant eligibility certification, termite inspections, lead-based paint inspections, project bids, loan underwriting, and direct project supervision and management. The City procured Michael Baker International (MBI) as Program Operator responsible for all aspects of pre-loan qualifying, loan development, loan closing, and construction management. Per contract terms, MBI can charge up to 75% of Activity Delivery allowances and up to 38% of General Administrative funds. The City retains up to 25% of Activity Delivery allowances and up to 62% of General Administration funding.

Remaining grant funding is adequate for one final rehabilitation project that involves demolition and reconstruction of a rear housing unit located at 125 South Harrison Street. The rear unit is the primary residence of the applicant, and a front rental house is not part of the HOME project. After a lengthy approval process, all project approvals have been granted by the State HOME program, and construction contractors have been selected. Per terms of the HOME approval, lead-based paint remediation and minor health and safety repairs are required in the front unit. However, the City may not use any federal HOME funding on the front unit. All of the City's remaining HOME funds are expected to be expended on the rear unit that is the applicant's primary residence.

Due to errors committed by Program Operator (MBI) during the HOME approval process, MBI has agreed to split the non-federal costs with the City in order to complete the required improvements to the front, non-

primary unit of the applicant. Total costs for the front unit include lead-based paint testing of approximately \$2,100; lead-based paint remediation (painting) of up to \$4,125, and minor safety repairs of up to \$600. MBI has agreed to pay for the lead-based paint testing of approximately \$2,100, and in addition, they have agreed to reduce their share of Activity Delivery allowances for the loan by \$5,720. The fee reduction by MBI results in adequate funding to cover the rear house reconstruction as bid, including a small contingency. As proposed, the City would be responsible for the actual repairs and remediation to the front house, for which bids total \$4,125 (including 10% contingency).

Funding for this activity is available in City Fund 131, which contains approximately \$19,805. This funding is CDBG Program Income (amounts repaid to the City from prior CDBG-funded loans), but it was generated in fiscal years during which less than \$35,000 in total Program Income was received. For any such year, the Program Income is considered “de-federalized.” This funding was generated in fiscal years 2010-11 and 2011-12. Since that time, annual receipts have exceeded the de-federalization thresholds.

Fund 131 was authorized by City Council Resolution 3488-2011 on November 14, 2011. Per Resolution 3488-2011, de-federalized Program Income is to be accumulated in Fund 131 “to accumulated funds for future CDBG activities.” CDBG and HOME are closely related programs operated under the umbrella of the State Housing and Community Development (HCD). Per HCD, CDBG funding may be used to supplement HOME activities. Use of this funding would allow the final HOME project to proceed and will result in important health and safety improvements to two residential units. In order to authorize use of this funding, adoption of a Resolution approving use of these funds and authorizing a FY 2016-17 Budget Amendment of up to \$5,000 is recommended.