



MEMORANDUM

DATE: AUGUST 29, 2023
TO: HONORABLE BOARD OF SUPERVISORS
FROM: PLANNING AND BUILDING SERVICES
RE: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM INCOME (PI)

Background

Program income (PI) is accrued from repayment of CDBG activities, such as first-time homebuyer programs, home rehabilitation loans, or business assistance revolving loans. As PI accumulates, the Housing and Community Development (HCD) department requires these funds to be utilized or allocated to specific projects. If the program income remains unallocated, HCD will reclaim the funds and redirect them to other grant awards across the State.

Mendocino County continues to receive PI repayments from previous year's both first-time homebuyer programs and business loans.

In 2021, however, the County launched another Business Assistance Revolving Loan Program and allocated \$500,000 in Program Income funds for larger business loans to qualified entities. This program was incredibly successful and received praise from HCD staff, as the majority of the \$500,000 has been awarded to three separate businesses. These include Happy Rides, which used the funds to purchase a non-medical transport van, as well as Cold Creek Compost and Geiger's Hopland Market, both of which utilized the funds to retain staff and enhance their business operations

Allowed Uses of PI Funds

Program income (PI) can be allocated in three different ways:

1. Including PI when applying for an Over the Counter (OTC) competitive award.
2. Submitting a PI-only application for a CDBG-eligible activity.
3. Adding PI to an existing award.

There are several categories of eligible activities, which may include: accessibility grants, emergency grants, loan programs, economic development, code enforcement, capital projects, and housing rehabilitation, among others.

When program income (PI) is allocated, it requires a resolution of approval by the Board of Supervisors and is granted by HCD in the same manner as the standard CDBG grants. An agreement is prepared by HCD and routed through the County for approval. After the approval process, the funds can be utilized for their intended purpose.

Existing Request for Use of PI Funds

The County has a successful track record of utilizing program income (PI) funds for Business Assistance in the form of loans. This has been the primary source of existing capital. Therefore, the County can easily continue using PI funds to provide loans to businesses throughout Mendocino County.

Several organizations have requested consideration for the allocation of program income funds. The Rural Communities Housing and Development Corporation (RCHDC) has been in contact with the County and has requested the entire PI allocation of program income for the "Marigold Villas" project. This project consists of 32 units for special needs populations as well as general low-income individuals and families located east of Orr Creek Commons.

Similarly, the Round Valley Area Municipal Advisory Council (RVAMAC) is seeking funding to complete a fire hydrant project in downtown Covelo. However, the request is for approximately \$30,000 to perform a feasibility study, which cannot be funded with PI and must go through a competitive application and Notice of Funding Availability (NOFA) process.

While there are numerous worthwhile projects to invest in within the County, the funding available is limited to the estimated on-hand program income of \$850,000.

The county currently receives an estimated program income of \$15,000 per month.

Conclusions

The Board of Supervisors has the authority to allocate program income to multiple projects, with each project potentially becoming a separate grant application to HCD for the approval of fund usage.

Staff requests guidance from the Board on a list of projects or eligible activities they wish to see the Program Income funds utilized for. With this information, the Department can solicit additional proposals consistent with Board direction, which can then be brought back to the Board for final direction and approval on what projects are included in the required Resolution that will be submitted with an application to HCD. The Resolution for approval will be presented on the consent calendar once it has been circulated and approved by County Counsel.