

Introduction

Los Angeles County is an entitlement recipient for HUD's Community Development Block Grant (CDBG) program. It receives CDBG funds annually that it can use for a variety of housing and community development projects. The Community Development Commission (CDC) of Los Angeles County administers the CDBG program for the County.

New CDBG Funds for 2007–2008 Program Year

The new Program Year (2007–2008) will begin on July 1, 2007. Total CDBG funds available in 2007–2008 is \$55,332,835, comprised of \$30,734,718 in new allocation, \$6,000,000 in program income, \$18,201,849 in prior year's funds, and \$396,268 in funds allocated to the City of Cerritos.

The City of Cerritos is a voluntary joint applicant with the County of Los Angeles for Urban County funding. In the past, the City has exchanged its funding with another jurisdiction participating in the Urban County program and, as a result, has not used its funds. The City of Cerritos will again exchange its funds for the 2007-2008 program year.

USE OF CDBG FUNDS

CDBG funds will be used for a variety of housing and community development activities that will benefit low- and moderate-income persons. The activities described in the listing of proposed projects, located in Volume II of this Annual Action Plan, account for all CDBG funds.

Eligible Activities

The CDBG program can fund a variety of community development activities, including the following:

1. CDBG administration
2. Planning
3. Infrastructure (i.e. water and sewer lines, storm drain systems, road improvements, and curb gutters).
4. Housing rehabilitation
5. Down payment or closing costs
6. Assistance in the prevention of homelessness
7. Temporary housing
8. Public services (i.e. youth and elderly services, and services for persons with disabilities or are affected by HIV/AIDS).

9. Fair housing
10. Employment training
11. Business loans
12. Commercial rehabilitation
13. Extension of infrastructure to businesses
14. Demolition and clearance
15. Neighborhood clean-up
16. Elimination of lead-based paint

Program Income

The projected amount of 2006–2007 CDBG program income is \$6,000,000. All funds will be reprogrammed to 2007-2008 County activities. The County does not have any urban renewal projects. Therefore, no surplus funds will be generated from urban renewal settlements.

It is not known at this time whether any grant funds must be returned to the line of credit because the County financial records are not closed until 90 days after the end of the fiscal year, which is September 30, 2006. Returned grant funds are not expected. However, if there are returned grant funds, this Action Plan will be revised to reflect the new use of the returned funds.

Float Funded Activities

The County's Float Loan Program provides short-term, interest-only financing for projects that promote economic, community and housing development in Los Angeles County. County Float Loan Program proceeds may be used for equipment/machinery, property acquisition, construction or renovation, tenant improvements, working capital and infrastructure. The County Float Loan Program may provide financing for eligible County projects, such as infrastructure improvements. The County Float Loan Program is available to private and nonprofit entities, jurisdictions, redevelopment agencies and government agencies located in Los Angeles County. Project activities must meet the program eligibility requirements of the CDBG program [24 CFR 570.301].

Loan amounts range from \$1 million to \$10 million, depending on the availability of funds in the County's line of credit. Interest rates for the County Float Loan Program will be priced according to the requirements of the project and prevailing market conditions. In general, the rate will be below prime. In lieu of an interest charge, a one percent per annum administrative fee will be charged when funds are used by a County agency or department. The term for County Float Loan Program financing is two years and six months. An extension of a repayment period, for an additional two years and six months, shall be considered a new activity, and will be implemented subject to the requirements that apply to a new activity.

For private and nonprofit entities, jurisdictions, redevelopment agencies and government agencies, the County Float Loan Program requires a AA rated, direct pay, irrevocable, callable on demand Letter of Credit. Financing for County departments may be secured by an irrevocable pledge by the County of Los Angeles, as authorized by the Board of Supervisors, to transfer general local government funds in the full amount of the financing, including interest or administrative fees, within 30 days of call.

All financing made through the County Float Loan Program is subject to final approval by the Board of Supervisors/Commission of Los Angeles County.

The current Float-Funded activities and the estimated total amount of program income generated by these activities, as of April 2007, are shown in Table 4-1.

Table 4-1
Income from Float-Funded Activities

Project # Name Location Description Loan Start Date	Accomplishments/ Jobs Benefit and/or Services to Low and Moderate Income Persons	Loan Amount	Estimated Program Income FY 2007- 2008	Total Estimated Program Income	Period that Activity is Expected to Generate Program Income
Project #600709-03 Name: City of Carson Location: 701 E. Carson Street, Carson, CA 90749 Description: Redevelopment Agency Loan Start Date: 6/04	Jobs Req.: 144 Jobs Verified FTE: 186 as of 3/6/07	\$5,000,000	\$225,000	\$562,500	2.5 years
Proposed Project Name: Community Development Commission of the County of Los Angeles Location: 2 Coral Circle, Monterey Park, CA 91755 Description: Redevelopment Agency Loan Start Date: 10/04	Area wide benefit (Slums or blight)	\$2,300,000	\$22,999	\$57,500	2.5 years
Proposed Project Name: Housing Authority Location: 2 Coral Circle, Monterey Park, CA 91755 Description: Redevelopment Agency Loan Start Date: 5/05	Area wide benefit	\$1,500,000	\$15,000	\$37,500	2.5 Years

Section 108 Activities and Accomplishments

The Section 108 Loan Guarantee Program involves a Federal guarantee on local debt allowed under Section 108 of the Housing and Community Development Act of 1974, as amended. This section of the Act allows public entities such as the County to issue promissory notes through HUD to raise money for eligible large-scale community and economic development activities. HUD guarantees these notes, which are sold on the private market in return for a grantee's pledge of its future CDBG funds and other security for the purpose of debt repayment. This program is another funding source that is available to Participating Cities and County unincorporated areas to meet community development objectives throughout the Los Angeles Urban County.

It is important to note that the Section 108 Loan Guarantee Program is part of the CDBG program and is governed by the same set of Federal regulations. In the past, Section 108 funds have been used for a variety of projects including: the development of commercial retail, office, and hotel space; industrial development; roads, bridges, and sewers; and the construction of public facilities.

The CDC administers a total of \$50 million of Section 108 authority through two programs: The Countywide Section 108 Program (\$30 million); and the Empowerment Zone Section 108 Program (\$20 million).

In addition, any other “stand alone” Section 108 loan applications considered outside of these two programs are managed under the same loan application process.

Countywide Section 108 Program

The Countywide application is currently a \$30,000,000 loan guarantee that has been pre-authorized for drawdown by HUD. It has been established as a loan pool under a generic application, and since it has been approved and pre-authorized for drawdown, it will allow us to make loans in a shorter amount of time by not having to follow the conventional Section 108 loan application process that is outlined in the federal regulations. As a companion to the \$30,000,000 in Section 108 loan guarantees, the County also received \$1,000,000 in Economic Development Initiative (EDI) Grant funds to reduce the risk, such as through a loan-loss reserve, associated with making loans with the Section 108 proceeds.

Empowerment Zone Section 108 Program

The County's \$20,000,000 Empowerment Zone Loan Program is comprised of \$10,000,000 in Economic Development Initiative (EDI) Grant funds, and \$10,000,000 in Section 108 loan guarantees pre-authorized and approved by HUD for use in the Los Angeles County Empowerment Zone. Activities assisted under this program must exclusively benefit the Empowerment Zone, defined as the following five census tracts: 5352, 5353, 5354, 5406, and 5407.

Repayment of CDBG Section 108 Funds

HUD initially negotiates interim financing and then establishes permanent financing after a public offering is held to provide the funds requested by the CDC. Interest only repayments are made quarterly for loans funded from the interim funding facility. For loans established under the permanent financing mechanism, an interest only payment is made in February and a interest plus principal payment is made in August. The table below shows the total amount of Section 108 funding allocated and repayments made during 2007-2008.

Section 108 Loan Repayments for 2007-2008

Section 108 Loan Recipients	Total Loan Amount	Type of Loan	Funding Mechanism	Total Loan Repayment
City of Culver City	\$2,020,000	Countywide	Permanent	\$196,644.50
City of Azusa	\$2,435,000	Countywide	Permanent	\$293,835.50
Unincorporated West Altadena	\$2,300,000	Countywide	Permanent	\$234,993.52
City of Santa Fe Springs	\$20,000,000	Stand Alone	Permanent	\$1,725,568.65
City of Claremont	\$410,000	Countywide	Permanent	\$55,186.15
City of San Fernando	\$3,000,000	Countywide	Permanent	\$335,419.70
City of Bell Gardens	\$5,000,000	Countywide	Interim	\$535,517.35
City of Commerce	\$10,000,000	Stand Alone	Interim	\$537,199.30
GRAND TOTALS	\$45,165,000			\$3,914,364.67