



# County of El Dorado

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## Legislation Text

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**File #:** 11-0820, **Version:** 2

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HEARING - Chief Administrative Office, Economic Development Division, Housing, Community and Economic Development Program recommending the Board consider the following:

- 1) Conduct a public hearing to consider adoption of Resolution **026-2014** amending the County's Community Development Block Grant (CDBG) Program Housing Rehabilitation Loan Program Guidelines to comply with the California Department of Housing and Community Development program requirements; and
- 2) Authorize the Assistant Chief Administrative Officer, or designee, to submit the amended CDBG Housing Rehabilitation Loan Program Guidelines to the State Department of Housing and Community Development for approval and administer the Program on behalf of the County. (Est. Time: 5 Min.)

**FUNDING:** Federal Department of Housing and Urban Development and County Community Development Block Grant Revolving Loan Funds (Federal Funds).

**Fiscal Impact/Change to Net County Cost:**

No change to Net County Cost.

**Background:**

The Housing, Community and Economic Development Block Grant Program (HCED), under the Chief Administrative Office, receives various Community Development Block Grant (CDBG) grants on behalf of the County to fund loan activities for Housing Rehabilitation, Housing Acquisition and Business Expansion and Retention. These programs help improve housing and employment conditions among eligible low-income residents of the county. Each CDBG-eligible activity is required to have County and State approved program guidelines.

The Board adopted the current Housing Rehabilitation Loan Program Guidelines in 2011. Amended program guidelines are being sought to update program activities, reflect changes in state law since 2011 and amend the approval process for loan subordination requests.

**Reason for Recommendation:**

Amendments to the Housing Rehabilitation Loan Program Guidelines must follow the proper CDBG Citizen Participation Public Hearing process. In addition, the State Department of Housing and Community Development (HCD) require a Resolution to approve the amended Guidelines. Finally, HCD must approve the adopted Guidelines before they become effective.

Proposed amendments to the Program Guidelines include changing the approval process for loan subordination requests and incorporating water/sewer lateral hookups as an eligible cost within rehabilitation loan program parameters. The attached track-change document illustrates amendments and corrections as underline text and deletions as cross out text.

Loan Subordination requests - In all cases the security for the Housing Rehabilitation loan is the property. All County HCED loans are secured by a Promissory Note and recorded Deed of Trust

subordinate only to the loan(s) of a commercial mortgage lender.

When a borrower elects to refinance the mortgage on their home they must request loan subordination from the County. In accordance with State guidelines, the County may only subordinate the loan when there is no “cash out” as part of the refinance. No cash out means there are no additional charges on the transaction above loan and escrow closing fees and no cash paid to the borrower. Furthermore, the refinance should lower the housing cost of the family with a lower interest rate.

Currently, a request for subordination is reviewed by the Housing Rehabilitation Loan Program Loan Review Committee. Staff recommends that upon receiving the required documentation from the refinance agency, and if all Program requirements are met, the request may be considered by the Program Administrator for approval. The Resolution to approve the amended Guidelines designates the Assistant Chief Administrative Officer as the authorized official designated to oversee the Housing Rehabilitation Loan Program.

Water/Sewer Lateral Hookups - CDBG issued Management Memo 14-01 in January 2014 to allow water/sewer laterals hookups to be eligible as a single activity within the Housing Rehabilitation Program if the program guidelines identify that laterals are an eligible cost and under what circumstances they are permitted. The CDBG Memo was released after County Counsel's review and approval of the first amended Guideline draft. Staff worked with CDBG to draft acceptable language to address water/sewer lateral hookups in the Guidelines, pending County Counsel review. The new Guideline language will allow eligible homeowners an option, if warranted, to include water/sewer lateral hookups as an eligible cost under the Housing Rehabilitation Loan Program.

Board approval of the amendment to the Housing Rehabilitation Program Guidelines will ensure continued compliance with HCD requirements.

**Clerk of the Board Follow Up Actions:**

1. Clerk to obtain the Chair's signature on Resolution XXX-2014; and
2. Clerk to provide HCD staff with one (1) executed Resolution and one (1) certified copy of the Resolution.

**Contact:**

Kimberly Kerr, Assistant Chief Administrative Officer  
Jlm Claybaugh, Economic and Business Relations Manager

**Concurrences:**

County Counsel