



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of June 16, 2012

DATE: May 18, 2012

SUBJECT: Authorize the reallocation of \$320,000 in federal Community Development Block Grant (CDBG) single family revolving loan funds, currently held by AHC, Inc., to general program income to support program delivery costs and direct the return and transfer of funds to the County's Community Development Fund in FY 2013.

C. M. RECOMMENDATIONS:

1. Appropriate and direct the return and transfer of \$320,000 in CDBG single family revolving loan funds (206.371890), currently held by AHC, Inc., to the County's Community Development Fund (206.72405) in FY 2013.
2. Authorize the reallocation of \$320,000 in CDBG single family revolving loan funds from the County's Community Development Fund (206.72405), to AHC, Inc. (206.371890) as a CDBG grant of general program income to support program delivery costs related to its operation of single family programs on behalf of the County.

ISSUES: Pursuant to certain Community Development Block Grant (**CDBG**) regulations, CDBG monies held in designated revolving loan fund accounts can only be used for making eligible loans to fund CDBG-eligible activities, and cannot be used to directly support program delivery costs (e.g., outreach, intake, loan management). By appropriating and directing the return and transfer of \$320,000 in CDBG monies held in a County Board designated revolving loan fund account currently held by AHC, Inc. (**AHC**), and reallocating those CDBG monies as general program income, the County Board will be able to continue to support AHC's program delivery costs related to its operation of single family programs while complying with regulations. There are no outstanding issues.

SUMMARY: In the 2013 Action Plan approved by the County Board and submitted to the U.S. Department of Housing and Urban Development, up to \$320,000 in CDBG program income was designated for program delivery costs for purchase and/or rehabilitation of single family units that benefit low and moderate income residents. The County Manager is recommending that the County Board accept a transfer of County CDBG funds from AHC in the amount of \$320,000

County Manager:

County Attorney:

Staff: Jennifer Daniels and Nicki Modaber, CPHD

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that is currently held in a County Board designated single-family program revolving loan fund account that is operated and maintained by AHC (the **Single Family Revolving Fund Account**) and appropriate those funds to the County's Community Development Fund. Once the County CDBG funds are received from AHC and appropriated, the County Manager is recommending that the County Board reallocate the \$320,000 to general CDBG program income and grant the funds to AHC through a Subrecipient Agreement in order to support program delivery costs related to its operation of single family programs on behalf of the County.

BACKGROUND: On February 21, 1981, the County Board designated the following AHC single family programs – (i) Home Improvement Program (**HIP**), (ii) Moderate Income Home Ownership Program (**MIHOP**); (iii) and Barrier Removal Program – as “revolving loan fund programs, with any [CDBG program] income received by these programs allocated to the program that generated the [CDBG program] income and used for the same purpose as the original [CDBG] grant approved by the County Board.” On April 9, 1983, the County Board, when approving the fiscal year 1984 CDBG program, designated AHC's Columbia Heights West Moderate Income Purchase Assistance Program (**MIPAP**) as a “revolving fund program.”

On April 24, 2004, the County Board combined the HIP, MIHOP, Barrier Removal and MIPAP single family programs into “one account for CDBG Single Family Program activities” (i.e. the Single Family Revolving Fund Account operated and maintained by AHC). As of February 29, 2012, the Single Family Revolving Fund Account has a balance of \$1,109,524. Since it is not anticipated that the full balance will be needed for single family loans at this time, the County Manager is recommending that up to \$320,000 be reprogrammed for single family program delivery and that the funds be returned and transferred to a County-held account. Transferring the funds back to the County's Community Development Fund will allow the County to pay AHC, Inc. for its program delivery based on work completed.

DISCUSSION: The County Board's previous CDBG Subrecipient Agreements with AHC relating to the funding of AHC's program delivery costs have included CDBG funds for outreach, intake, construction management, loan underwriting, and portfolio management for programs to purchase and/or rehabilitate single family units for low and moderate income residents. In previous years, the County has awarded both annual entitlement and program income funds to AHC for these program delivery costs. Based on the current market and decreased number of loans made in the last several years, it is anticipated that in FY 2013 the number of loan applications will be lower than the current fund balance. Staff is recommending that program income generated from the revolving loan fund be used to pay for program delivery activities, currently undertaken by AHC, Inc.

To use program income for the CDBG-eligible activity of program delivery for single family purchase and rehabilitation, funds must be reallocated from the revolving loan fund to the County's Community Development Fund. We are recommending that the \$320,000 previously approved for single family program delivery costs be returned and transferred to the County for financial management.

FISCAL IMPACT: \$320,000 will be transferred to the County from AHC, Inc. for use in CDBG-eligible activities, including program delivery for single family homeownership and rehabilitation. There is no impact on net tax support.