

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Policy Session Worksheet

Presentation Date: 12/13/2016 **Approx. Start Time:** 2:30 p.m. **Length:** 30 minutes.

Presentation Title: Red Lodge Transition Services, CDBG funding increase

Department: Health, Housing and Human Services (H3S), Housing & Community Development Division (HCD)

Presenters: Richard Swift H3S, Director; Kevin Ko, HCD Manager

Other Invitees: Chuck Robbins, HCD Director; Jill Smith H3S Deputy Director

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Review of proposed options and direction from the Board regarding staff recommendation.

Background

The Community Development Block Grant (CDBG) program allocates funds to larger cities and urban counties to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons. CDBG is designed with the flexibility to address and mitigate barriers often associated with risky or difficult to develop projects

Red Lodge Transition Services (RLTS) is a local non-profit organization dedicated to providing transitional services to persons leaving incarceration and treatment facilities in a way that aligns with the Native American culture and values. On April 14, 2016 the BCC approved \$150,000 of CDBG funding for RLTS to acquire property on which to provide transitional housing coupled with culturally specific services for its targeted population.

In August 2016, RLTS identified a single family home located on a 2.7 acre property south of the Oregon City limits that meets the needs of its transitional housing program. The single family home is a 4-bedroom 3-bath in need of repair to be functional. The purchase price is \$395,000 with the owner holding the contract and title to the property. HCD staff has been supportive of the project, but does not support proceeding with the owner-held contract as presented for the identified property.

Staff is requesting Board consideration of an increase in Community Development Block Grant (CDBG) funding for the Red Lodge Transitions project. An increase from \$150,000 to an amount not to exceed \$375,000. Approximately four weeks ago a project funded for this fiscal year was delayed making additional funding available. These funds could be used to resolve the issues presented by the owner-held contract. If approved, additional CDBG funds can be allocated in the form of a grant or a loan. Funds will be used to assist Red Lodge Transition Services (RLTS) with the purchase of a property located south of Oregon City in Clackamas County. The additional CDBG funds if approved may be allocated to the project as a grant or a loan.

The CDBG funds would be used to buy out the property owner eliminating the need for the owner-held contract. Replacing the owner-held contract with a CDBG agreement would require a 15 year compliance period restricting the use of the property to those approved via the CDBG agreement. The CDBG regulations provide that if the use changes to a non-CDBG eligible activity the grantee, RLTS would be required to repay the CDBG funds to the County. This and other CDBG requirements would be contained in the CDBG agreement between RLTS and the County.

HCD has ordered an independent appraisal of the property. The CDBG regulations limit the amount of assistance to the appraised value of the property. HCD is proposing that CDBG assistance be limited to \$375,000 or the appraised amount, whichever is less. RLTS will be responsible for the difference required to purchase the property, including closing costs.

RLTS has raised approximately \$170,525 to assist with the acquisition and renovation of the property. RLTS has also secured \$219,280 in foundation grants to provide operating assistance for the Transitions Program.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$375,000

- \$150,000 original allocation
- \$225,000 additional proposed

What is the funding source? CDBG funds

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
Increased self-sufficiency for our clients
- How does this item align with the County's Performance Clackamas goals?
Ensure safe, healthy and secure communities

LEGAL/POLICY REQUIREMENTS:

This activity must comply with federal Fair Housing regulations and CDBG programmatic requirements.

OPTIONS:

1. Authorize HCD to provide an additional \$225,000 of CDBG funding to Red Lodge as a grant. The grant would have a 15 year compliance period. If at any time during the compliance period RLTS failed to meet CDBG obligations the county could impose remedies up to and including taking ownership of the property from RLTS.

The benefits of providing a grant to RLTS include:

- The owner Contract currently being offered to RLTS would no longer be a hindrance to the property purchase.
 - The elimination of debt service to RLTS will help ensure the long-term operational and financial stability of the Red Lodge Transitions program enabling them to focus their resources on the women to be served.
 - The CDBG agreement resulting from the grant issuance would enable the County to ensure that culturally appropriate services for women transitioning out of incarceration and into our community exist.
 - Failure to abide by the terms of the CDBG agreement would authorize the County to impose remedies up to and including taking ownership of the property.
2. Authorize HCD to loan RLTC an additional \$225,000 of CDBG funds. Loan terms would include:
- 0.0% interest, deferred payment loan.
 - The loan will have a term up to 5 years, with the option to refinance the property and repay the CDBG loan.

The benefits of providing a short-term loan to RLTS include:

- The owner contract currently being offered to RLTS would no longer be a hindrance to the property purchase.
 - No debt service to RLTS in the first five years of operation would help ensure the operational and financial stability of the Red Lodge Transitions program during the critical startup phase.
 - The County would have the authority to step in and cure any CDBG compliance issues that arise during the loan period. The County would, with this option be able to take ownership of the property.
 - \$150,000 of CDBG would stay with the property and require a 10 year CDBG compliance period.
 - \$225,000 would be returned to the County within five years for re-programming to future CDBG projects.
3. Continue with current CDBG allocation to RLTS and make no additional funds available. The CDBG allocation to RLTS will be limited to the \$150,000 grant that was initially approved. The CDBG funds will not be available if the owner-carried contract is used. RLTS will need to secure other financing, or loose the CDBG funds.

RECOMMENDATION:

Staff is recommending Option 2, providing a short term loan to RLTS as described above. This option would provide significant benefits to both RLTS, the County and future applicants seeking CDBG funding due to the repayment requirement. If Option 2 is preferred the CDBG

agreement between the County and Red Lodge Transition Services will be presented to the BCC for review and approval at a business meeting in January.

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact:
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