



# **Yolo County Housing**

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## BOARD OF COMMISSIONERS

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DATE: January 15, 2009

TO: YCHA Board of Commissioners

FROM: Lisa A. Baker, Executive Director

SUBJECT: **Receive and File Status Report Regarding Proposed Capital Fund Financing Plan (CFFP)**

### **RECOMMENDED ACTIONS:**

That the Board of Commissioners:

1. Receive and file the status report on the proposed Capital Fund Financing Plan.

### **BACKGROUND/DISCUSSION:**

#### ***Background***

The Agency acquired the current Administration Building using Capital Funds, which are set aside for improvements to, and operations of, public housing units. In 2006, the Agency determined that it had not complied with HUD Capital Fund requirements in that acquisition. Namely, it did not submit and receive approval from HUD for use of the funds. Subsequent to the initial acquisition, the Agency refinanced the building on two (2) occasions, again without HUD approval. Because federal funds were pledged and used in the financing, HUD should have approved the transaction and the property should have been placed under a declaration of trust in favor of HUD.

Because of this action, HUD withheld the majority of the Agency's Capital Fund grant for FY 2006-2007, pending a resolution of this matter. From April 23 through April 25, HUD conducted an onsite audit of the Agency. Subsequent to the monitoring performed by the Recovery and Protection Corps of HUD, staff at HUD has proposed the framework in which a workout of this issue may be considered.

On May 11, 2007, the Agency received formal correspondence from the Office of Public and Indian Housing at the U.S. Department of Housing and Urban Development (HUD) regarding the proposed workout of the financing of the Administration Building. In that letter, HUD states that, as part of its workout plan, the Authority may request retroactive approval of the loans that were made for acquisition and rehabilitation of the Administration Building, located at 147 W. Main Street, Woodland, CA 95695. In order to obtain this approval, YCH must submit a Capital Fund Financing Program (CFFP) proposal to HUD that meets the legal and programmatic requirements of the CFFP. HUD requires the following:

- The plan includes a retroactive approval of the \$2.24 million loan with First Northern Bank of Dixon (FNB) and \$480,000 loan with FNB;
- The Agency would pay a pro-rata share of use of building by public housing uses;
- The Agency completes a physical needs assessment for use in long term planning;
- Allow the Agency to dedicate a portion of future Capital Funds to debt service (no more than 33% of future funds) as long as it can show that future capital improvement needs will be met;
- Record a Declaration of Trust;
- Disallow \$121,919.59 of funds that were borrowed against the building for payables not associated with public housing capital fund. Because of this item, the Board, on September 11, 2007, disallowed coverage of the \$180,000 note with First Northern Bank of Dixon under the CFFP.

### ***Discussion***

Staff completed its review of the CFFP requirements and its review of the transactions surrounding the Administration Building in September 2007. On September 11, 2007, the Board authorized by resolution the submittal of a CFFP application. The application was presented to HUD in September 2007. In February 2008, HUD required the Board to adopt a newer resolution, showing:

- That the Board of Commissioners is authorized to approve the borrowing;
- That the Agency will comply with the amended Annual Contributions Contract (ACC) which governs the YCH's public housing programs;
- Pledge the use of Capital Fund for debt service on the loan;
- Authorize the Executive Director or other representative to sign the loan documents.

The Board approved this Resolution on February 7, 2008. Subsequent to that Resolution, HUD Headquarters required that the YCH have a Development Plan approved by the local field office before submitting its final CFFP Plan. The YCH also must provide a Fairness opinion study to show that the financing is fair and it must submit a Management study showing that the agency possesses the management capacity to carry out the project.

### ***Results***

Between February 7, 2008 and January 2009, staff has completed the following:

1. Put the Administration Building under federal Declaration of Trust, thereby ending the federal Section 30 violation for use of funds;

2. Successfully ended the freeze on 2006 Capital Funds and future years of Capital Funds;
3. Conducted a Request for Proposals process and contracted with two (2) firms: one to conduct the management assessment study and one to conduct the fairness opinion study
4. Selected firms to conduct studies and entered into contracts; studies currently underway;
5. Put together the proposed Development Plan for the local office and submitted to HUD;
6. On January 6, 2009, YCH received approval of the Development Plan from HUD

Next steps will be to get the final management and fairness opinions from the consultants, put together the final CFFP application and send to HUD Headquarters along with the Development Plan approval.

**FISCAL IMPACT:**

Approval of the CFFP will resolve the problem with HUD regarding sources and uses of funds for the acquisition and rehabilitation of the Administration Building, will provide an income stream for debt service on the property and will improve the Agency's position and day-to-day cash flow.

**CONCLUSION:**

Receive and file the update.