MEETING DATE 2/28/05

AGENDA ITEM Discussion of the Proposed Elimination of the Community Development Block Grant (CDBG) Program

ATTACHMENTS

Culver CITY

INTEROFFICE MEMORANDUM

DATE 02/09/2005

TO HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

THROUGH JERRY B FULWOOD, CAO

FROM SIMONE M SLIFMAN, MANAGEMENT ANALYST SMS

SUBJECT PROPOSED ELIMINATION OF THE CDBG PROGRAM

CC EXECUTIVE MANAGEMENT
SHELLY W CHAGNON, SENIOR MANAGEMENT ANALYST

On February 7 2005, President Bush released his proposed budget for FY 2006 which outlines his administration's proposal for FY 2006 Under the President s proposal, the Community Development Block Grant (CDBG) program would no longer exist We have been advised by the Los Angeles County Community Development Commission (LACDC) that we should not rely on CDBG funding past FY 2006 Specifically we have been advised to consider an alternative source for repayment of our Section 108 loan and that we should not consider funding long-term or capital projects with CDBG monies Should this proposal succeed, we would most likely not receive CDBG funds beyond June 30 2006 Clearly, the major impact of this is how the City would go about paying the remaining balance due on the Section 108 loan from FY 06-07 through FY 14-15 The current balance on this loan is over $1 4 million

The budget proposes to consolidate 18 existing economic and community development programs from five different Federal agencies (Housing and Urban Development Agriculture, Commerce, Health and Human Services, and Treasury) into one single program the Strengthening America s Communities Grant Eligibility criteria for this grant would consider unemployment, job loss and poverty rates with an emphasis on targeted neighborhoods The new program would be reduced to a total funding of only $3 71 billion The CDBG program alone was funded at $4 1 billion for FY 05 for formula grants so this proposal would dramatically decrease funding for each of the individual programs administered by the five agencies

The loss of CDBG funds over the past five years and the City s decreased eligibility for CDBG funding (due to fewer eligible neighborhoods as a result of reductions in poverty rates) has already drastically reduced the City s ability to fund programs and capital projects using CDBG funds Additionally there would be a need to explore alternative funding sources for programs for the disabled and other capital projects, such as streetlights, the installation of audible traffic signals and other programs which currently rely on CDBG funding for some, if not all of their existence

With the knowledge that this possibility existed in recent weeks we have discussed a few initial strategies as to how we could effectively address this issue Strategies include employing a collaborative approach to advocacy with the other participating cities in the area with similar characteristics (such as West Hollywood and Beverly Hills), meeting with legislators to attest to the positive impact that CDBG funds have had on cities like ours and how these programs would be impacted by the loss of such funds, and issuing letters from the Mayor to elected officials in opposition to the loss of the program Additionally, the LACDC is currently preparing their own advocacy efforts, and will be approaching their participating cities to request assistance in attempting to save this program

We are working with the City Controller and City Treasurer to determine what the options may be for repaying our Section 108 loan obligation without the availability of CDBG funding and will keep you closely advised during the budget process as to what these options may be

Should you have any questions or wish to receive any additional information, please do not hesitate to contact me at 253-6015

ORIGINAL

SECTION 108 LOAN GUARANTEE PROGRAM
SECURITY AGREEMENT

This Security Agreement, dated as of July 7, 1998 is entered into between **the Community Development Commission of the County of Los Angeles (Commission)**, a public body corporate and politic of the State of California, and the **City of Culver City (City)**, a municipal corporation organized and existing under the laws of the State of California

RECITALS

WHEREAS, The Section 108 Loan Guarantee Program was established under the Housing and Community Development Act of 1974, as amended, for the purpose of financing large scale community and economic development activities, and

WHEREAS, the U S Department of Housing and Urban Development (HUD) approved Los Angeles County's Countywide Section 108 Loan Pool Program application on August 3, 1995, as amended, and has prepared and issued a Contract for Loan Guarantee Assistance, a Promissory Note and other related documents (cumulatively known as the Governing Documents) for execution by the Commission, on behalf of the County, for the benefit of the City, and

WHEREAS, The City prepared, in compliance with all federal requirements, and submitted to the Commission a Section 108 loan application, as amended, for $2,020,000 in Section 108 funds for the development of the Culver City Senior Center (see the attached Exhibit A document), as adopted by City Resolution Number 97-R007, which authorized the Commission to submit the City's application/request for funding to HUD on the City's behalf, and

WHEREAS, The City Council, at its meeting on January 27, 1997, approved the Section 108 loan in the amount of $2,020,000, as amended, subject to repayment over a fifteen-year period, as well as authorized the Chief Administrative Officer to negotiate the security for the loan and repayment requirements The Chief Administrative Officer, pursuant to a June 6, 1997 certification, identified City General Fund Revenues (General Revenue Pledge) as additional security for this Section 108 loan, and

WHEREAS, The Commission will submit the City's Section 108 loan application/request for funding to HUD following approval by the County Board of Supervisors in compliance with the Governing Documents

AGREEMENT

Now therefore, in consideration of the above recitals, the parties hereto agree as follows

1 The City acknowledges the Exhibit A document, attached hereto and made a part hereof, and agrees to fully abide by the requirements set forth therein and to perform all

obligations stipulated therein Additionally, the City shall abide by all applicable requirements under 24 CFR Part 570, and

2 The City agrees to maintain records specifically itemizing the receipt and expenditure of all Section 108 proceeds The Commission will receive the Section 108 loan proceeds, through its Custodial Agent, and immediately disburse the funds to the City pursuant to wire instructions provided from the City, and

3 The City authorizes the Commission to make its Section 108 debt repayments from the City's Community Development Block Grant (CDBG) funds set-aside through its CDBG Reimbursable Contract with the County of Los Angeles (Reimbursable Contract), as amended The City and Commission agree that the Commission will set aside, through the Reimbursable Contract document, the amounts needed to pay the principal and/or interest due for each program year, to be drawn down by the Commission only for loan repayment The City agrees to abide by the provisions set forth in this Security Agreement and Reimbursable Contract, and

4 The City shall approve and obligate this Security Agreement, assignable to HUD, to secure its Section 108 loan repayment through (1) the City's annual CDBG allocations in the amount determined by the Commission under the Commission's interim note, for interim financing, and following a public offering by HUD, for permanent financing (primary security), and (2) annual City General Revenues, City Special Revenues, or other City revenue sources as the City shall direct (additional security) The City represents that the debt incurred and security offered under this Security Agreement is binding and valid for the duration of the loan, under applicable state and local law, and that a valid and perfected security interest in the pledged security is made for the benefit of the Commission and HUD,

5 In the event CDBG funds shall become unavailable to make the annual payments herein required, the City shall have thirty (30) calendar days to notify the Commission, in writing, of the source and type of funds to be used for the debt repayment Should the City not notify the Commission within thirty (30) calendar days, the Commission shall be authorized to annually attach the revenues described in Paragraph Number Four above, and

6 The City shall only invest the Section 108 proceeds, if necessary, in U S Treasury notes, bonds and/or bills, or Federal Agency issues that have a full faith credit guarantee from the U S Government The City shall not invest the Section 108 proceeds in any other investment, including Fannie Mae and Freddy Mac issuances

IN WITNESS WHEREOF, the parties hereto have subscribed their names, on the date and year first above written in this Agreement

City of Culver City

By

Title Chief Administrative Officer

Approved As To Form
City Attorney

By

Community Development Commission,
County of Los Angeles

By

Title

Approved As To Form
De Witt W Clinton
County Counsel

By
Deputy

Section 108 Repayment Schedule
for the City of Culver City

Principal	Note 15 Interest	Principal	Date	Interest Payment	Principal Payment	Total Payment	Total Annual Payment
	6 41%						
	$23 15						
	$2 152 69		August 1 1999	$30 321 23		$30 321 23	
	$4 166 50		February 1 2000	$58 686 25		$58 686 25	FY00 $89 007
	$4 166 50		August 1 2000	$58 686 25	$135 000	$193 686 25	
	$4 166 50		February 1 2001	$55 183 00		$55 183 00	FY01 $248 870
	$4 166 50		August 1 2001	$55 183 00	$135 000	$190 183 00	
	$4 166 50		February 1 2002	$51 605 50		$51 605 50	FY02 $241 789
	$4 166 50		August 1 2002	$51,605 50	$135 000	$186 605 50	
	$4 166 50		February 1 2003	$47 960 50		$47 960 50	FY03 $234 566
	$4 166 50		August 1 2003	$47 960 50	$135 000	$182 960 50	
	$4 166 50		February 1 2004	$44 248 00		$44 248 00	FY04 $227 208
	$4 166 50		August 1 2004	$44,248 00	$135 000	$179 248 00	
	$4 166 50		February 1 2005	$40 481 50		$40 481 50	FY05 $219 729
	$4 166 50		August 1 2005	$40 481 50	$135 000	$175 481 50	
	$4 166 50		February 1 2006	$36 654 25		$36 654 25	FY06 $212 135
	$4 166 50		August 1 2006	$36 654 25	$135 000	$171 654 25	
	$4 166 50		February 1 2007	$32 773 00		$32 773 00	FY07 $204 427
	$4 166 50		August 1 2007	$32 773 00	$135 000	$167 773 00	
	$4 166 50		February 1 2008	$28 871 50		$28 871 50	FY08 $196 644
	$4 166 50		August 1 2008	$28 871 50	$135 000	$163 871 50	
	$4 166 50		February 1 2009	$24 936 25		$24 936 25	FY09 $188 807
	$4 166 50		August 1 2009	$24 936 25	$135 000	$159 936 25	
	$4 166 50		February 1 2010	$20 913 25		$20 913 25	FY10 $180 849
	$4 166 50		August 1 2010	$20 913 25	$135 000	$155 913 25	
	$4 166 50		February 1 2011	$16 822 75		$16 822 75	FY 11 $172 736
	$4 166 50		August 1 2011	$16 822 75	$135 000	$151 822 75	
	$4 166 50		February 1 2012	$12 664 75		$12 664 75	FY 12 $164 488
	$4 166 50		August 1 2012	$12 664 75	$135 000	$147 664 75	
	$4 166 50		February 1 2013	$8 439 25		$8 439 25	FY 13 $156 104
$135,000	$4 166 50		August 1 2013	$8 439 25	$135 000	$143 439 25	
	$4 166 50		February 1 2014	$4 166 50		$4 166 50	FY 14 $147 606
	$4 166 50	**$130,000**	August 1 2014	$4 166 50	$130 000	$134 166 50	FY 15 $134 167
			TOTAL	**$999,133 73**	**$2,020,000**	**$3,019,133 73**	