

COUNCIL COMMUNICATION

TO: THE CITY COUNCIL. COUNCIL MEETING DATE: DECEMBER 21, 1988
FROM: THE CITY MANAGERS OFFICE

SUBJECT: TRANSFER OF RESPONSIBILITY FOR HOUSING REHABILITATION FROM THE CITY OF LODI TO SAN JOAQUIN COUNTY

RECOMMENDED ACTION: That the City of Lodi transfer the funds allocated to the Lodi Housing Rehabilitation Program to the San Joaquin County Housing Rehabilitation Program and that the City Council authorize San Joaquin County to perform housing rehabilitation in the City of Lodi on the City's behalf with the funds the City contributes to the San Joaquin County Housing Rehabilitation Program.

BACKGROUND INFORMATION: The City of Lodi currently funds its Housing Rehabilitation Program with Community Development Block Grant (CDBG) monies provided by the U.S. Department of Housing and Urban Development (HUD). HUD gives an annual grant directly to San Joaquin County. The County, in turn, allocates a portion of that grant to each of the entities under its jurisdiction, including Lodi, through an Urban County Agreement. San Joaquin County also uses CDBG money to fund their own Housing Rehabilitation Program.

The "urban county" relationship between Lodi and San Joaquin County places both entities under certain restrictions as set forth in the Housing and Community Development Act of 1974. In this regard, HUD has recently stated their concern with Lodi having a housing rehabilitation program in the presence of a rehabilitation program at the County. Even though these two programs are different, HUD's interpretation of Section 106(b) of the Act places the responsibility of administering a comprehensive program of any type in an urban county to the urban county (i.e. San Joaquin). Jimmy Prater, Program Manager with the HUD Regional Office in San Francisco, in a recent letter to San Joaquin County and the City of Lodi says:

"... the urban county is considered to be a specially constituted single entity, created by statute to receive one entitlement grant, and that the county, as administrator of the grant, must have full authority under state law or cooperation agreements to carry out all essential activities in the entire area comprising the urban county."

"In this context, the individual units of general local government (cities) included in the urban county do not have an independent role because they are (all or part of) the "urban county". Consequently, when a CDBG activity is undertaken by an included unit of general local government, it is an urban county activity, paid for with urban county funds, for which the urban county has full responsibility to HUD, whether the activity is actually contracted for or undertaken by the county or the city, and regardless of whether payments for the cost of the activity are made directly by the county or by the city."

The City Council
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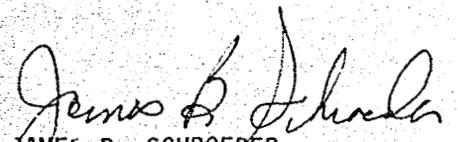
Therefore, because this matter has only recently come to light, HUD is requiring Lodi to comply with this provision by transferring the approximately \$318,000 currently allocated to the Lodi Housing Rehabilitation Program to the San Joaquin County Housing Rehabilitation Program. Henceforth, San Joaquin County will be responsible for providing rehabilitation loans for the City of Lodi from these funds and whatever funds Lodi may allocate to this program in future fiscal years.

The Neighborhood Preservation Division of San Joaquin County has tentatively agreed to assume the responsibility of providing rehabilitation loans for the City of Lodi. In fact, they have been handling the bulk of the administration and processing for Lodi's program since its inception. From an administrative standpoint, then, switching over to the San Joaquin program will not result in a noticeable change for the City.

San Joaquin's program, however, differs somewhat from Lodi's. Their loan limits are generally higher and their interest rates for amortized loans are lower. In addition, their program covers not only single-family owner-occupied homes, but rental and multi-family housing units as well, although the former type receives the highest order of priority. Finally, the County's banker is Security Pacific, whereas Lodi has worked with Bank of America.

To achieve the transfer of programs, the City needs to enter into a new contractual agreement with San Joaquin County. This agreement would establish the rules for the usage of funds, rehabilitation boundaries, administrative charges, etc., in regard to Lodi's portion of funds. Lodi then needs to transfer these funds to the county. San Joaquin will need to amend their Program Guidelines to include Lodi within its jurisdiction. Bank of America has already been notified that the City does not intend to renew the loan agreement with them that expired December 10, 1988.

CONCLUSION: By virtue of the fact that HUD stipulates the conditions for the usage of the funds they provide, there are no policy considerations involved. HUD has essentially left the City with no alternative but to comply with their request or abandon housing rehabilitation efforts with grant funds altogether. As the City Council has often indicated that they are committed to housing rehabilitation, staff recommends that the City Council approve the transfer of interest in the Lodi Housing Rehabilitation Program to the San Joaquin County Rehabilitation Program. Staff does not believe the overall rehabilitation of housing in Lodi will be diminished as a consequence of the recommended action.


JAMES B. SCHROEDER
Community Development Director

CITY COUNCIL

JAMES W. PINKERTON, Jr., Mayor
JOHN R. (Randy) SNIDER
Mayor Pro Tempore
DAVID M. HINCHMAN
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CITY OF LODI

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THOMAS A. PETERSON
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BOB McNATT
City Attorney

December 6, 1988

Mr. Roscoe Brownfield
Bank of America
31 South School Street
Lodi, California 95240

SUBJECT: LODI HOUSING REHABILITATION PROGRAM LOAN AGREEMENT

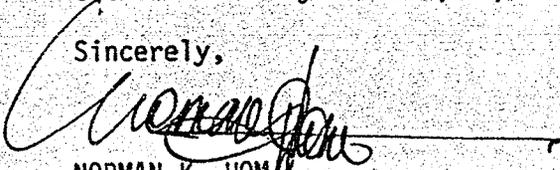
Dear Roscoe:

As a follow-up to our meeting yesterday, I am enclosing a copy of the Council Communication that I will be sending to the City Manager for possible consideration by the City Council on December 21, 1988. This communication outlines the U.S. Department of Housing and Urban Development's (HUD) mandate to us regarding the Lodi Housing Rehabilitation Program. HUD is requiring all housing rehabilitation activities within the Urban County to be coordinated and administered through a single program (in this case, the San Joaquin County Housing Rehabilitation Program). Unfortunately, the City does not have any discretion in this matter; Lodi must comply or risk losing future federal funding. For these reasons, the City of Lodi will not renew its loan agreement with Bank of America when it expires December 10, 1988.

Let me say that we have been extremely pleased with the level of service provided by your bank. The action we must take is in no way reflective of you or Bank of America. Jim Schroeder and myself are truly appreciative of yours and Michele Plummer's willingness and interest in our Program. When the Urban County Agreement expires in 1991, the City may again consider establishing its own housing rehabilitation program, in which case, Bank of America will be given the highest of recommendations.

If we may be of any service to you in the future, feel free to call either Jim or myself at (209) 333-6711. Thanks again for your help.

Sincerely,


NORMAN K. HOM
Community Development Block Grant Coordinator

enclosure