

County Contract No.

Department  
Grants & Housing

# TRINITY COUNTY

Board Item Request Form

2009-10-20

# 6.02

**Contact**

Rachel Allen, Grants Analyst/Loan Officer

**Phone**

623-8371

**Requested Agenda Location**

Public Hearings

**Requested Board Action:**

Approve the Guidelines for Micro Enterprise Financial Assistance Program for the Community Development Block Grant (CDBG) Economic Development Program

**Fiscal Impact:**

None

Motion:\_\_\_\_\_ Second\_\_\_\_\_ Roll Call: Ayes:\_\_\_\_\_ Nays:\_\_\_\_\_ Tabled To:\_\_\_\_\_

Action:

Notes:

## STAFF REPORT

Subject: Discuss and approve guidelines for the Community Development Block Grant (CDBG) Micro Enterprise Financial Assistance Program

Date: October 20, 2009

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**ISSUE:** Should the board approve the submitted Micro Enterprise Financial Assistance Program Guidelines?

We have received the fully executed contract from CDBG for the new Micro Enterprise Economic Development grant awarded earlier this year. CDBG requires Program Guidelines approved by the governing board prior to issuing the Authority to Spend Grant Funds.

**ALTERNATIVES INCLUDING FINANCIAL IMPLICATION:**

1. Approve the guidelines as submitted.
2. Do not approve the guidelines as submitted and suggest revisions, delaying the issuance of the Authority to Spend Grant Funds.
3. Do not approve the guidelines, thereby making the grant funds unavailable for Micro Enterprises.

Delays in submitting the required documents to set up the grant will holdup implementation of the program.

**RECOMMENDATION:**

Approve

Dero B. Forslund  
Dept. Head Signature

**CAO RECOMMENDATION:** Concur:  Yes  No

Comments:



**Guidelines  
For  
Micro Enterprise  
Financial Assistance  
Program**

Funded By  
**County of Trinity**

With  
**Community Development Block Grant**

Presented to Board of Supervisors for approval: October 20, 2009

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# **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) MICRO ENTERPRISE ASSISTANCE PROGRAM GUIDELINES**

## **1.0 INTRODUCTION**

The County Trinity here after called “Lender” has established a micro enterprise assistance loan program, here after called “the Program”. The Program is designed to stimulate economic growth and create businesses and jobs that will improve the living conditions of residents in the community. The Program provides affordable financing to eligible businesses to start up or expand. The Program is useful for small start up businesses as the underwriting standards and loan terms are flexible and can be tailored to the needs of the business. In addition, funds are available for technical assistance and capacity building of eligible businesses.

## **2.0 MICRO ENTERPRISE PROGRAM OVERVIEW**

### **2.1 PROGRAM ADMINISTRATOR**

The Lender will act as program administrator here after called “the Administrator”. In general, the Administrator will market the Program, accept and process applications, underwrite and recommend approval of loans, ensure proper loan closing and disbursement of funds, maintain loan files and fiscal records. The Administrator will follow and ensure compliance with these guidelines.

### **2.2 PROGRAM SERVICE AREA**

Financing under this Program is available to all eligible businesses located in the Lender’s jurisdiction the entirety of Trinity County.

### **2.3 SOURCE OF LOAN FUNDS**

The Program is capitalized with CDBG funds provided by HUD to the State of California Department of Housing and Community Development, here after called “the Department”. CDBG funds are federal funds and as such have a number of federal requirements that must be met, as described below. These CDBG funds come to the Lender from two sources: 1) from state grant awards that are administered under a state grant contract; 2) from loan repayments made by existing CDBG loans (called program income funds). Program income funds are administered locally by the Lender under an adopted program income reuse plan approved by the Department. These Program guidelines have been formally adopted by the Lender and approved by the Department.

### **2.4 MEETING CDBG MICRO ENTERPRISE DEFINITION**

Loan applicants for this Program must meet the CDBG definition of a micro enterprise business. The CDBG definition is a business having five (5) or fewer employees, including the owner(s). All employees, part time and full time, on the business payroll at the time of loan application will be counted. The term “employee” includes all owners of the business on the payroll, even if the owner’s “salary draws” are not done on a regular basis. The Administrator will require the business to provide third party records documenting the current number of employees on the payroll, including owners of the business.

## **2.5 TYPES OF MICRO ENTERPRISE BUSINESSES**

An applicant may be an existing micro enterprise business that needs funds to stay in business or expand. Existing micro business

Applicants can also be individual persons who wish to start a business but have not taken all the proper steps to set their business up. A condition of funding for these persons will be to have the business development process completed, such that they can be recognized and operate as a legal business.

## **2.6 REQUIRED MICRO ENTERPRISE TECHNICAL ASSISTANCE**

For all applicants under this program, the Lender will require attendance at one or more technical assistance classes given by the local small business development center (SBDC) or other local private for profit / non profit business development agency approved by the Lender. Each applicant must have a letter of recommendation from the local business development agency that shows the applicant has completed or updated a proper business plan, has proper management capacity in place and has proper financial capacity in place to become or continue to be a successful business operator. The local business development agency will confirm that the applicant for this Program is at a point where CDBG financial assistance will support and assist the business toward future success.

It is anticipated that most of the applicants for this program will be referred by local business development agencies after completion of proper business development workshops and one on one business counseling. Regardless of a micro enterprise applicant's status, a start up or existing business wanting to expand or an existing business struggling to survive, the proper business development workshops are needed to ensure the financial assistance provided gives the applicant the best chance to succeed. The Administrator will review each applicant individually in conjunction with the local micro enterprise technical assistance staff at the local business development agency and process loan requests based on the industry standards for what makes a business successful.

## **2.7 MEETING CDBG INCOME ELIGIBILITY REQUIREMENT**

Under federal regulations, use of CDBG funds for assistance to micro enterprise businesses must go toward meeting the national objective of low income benefit. Furthermore, the Department requires that CDBG economic development funds for micro enterprise only be used for businesses that qualify as a micro enterprise as described above **AND** when the business owners meet HUD criteria as an income qualified low income household. **Attachment A-3** determination of "household income," which is calculated in accordance with the regulations at 24 CFR 5.611 **Attachment A-1, 2**

<http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm>

## **2.8 TYPICAL USE OF FUNDS**

Funds under this Program are typically provided to eligible micro enterprise businesses as loans. Program loans are normally up to \$35,000. See Section 4.0 and 5.0 for description of loan terms and underwriting. Loans made under this Program are expected to be repaid. Some small grants are available for

existing businesses, see Section 4.0 for description of terms and conditions.

Funds under this program are restricted to certain eligible costs. Some common eligible costs are: 1) operating capital to pay staff and lease space or purchase inventory; 2) purchase of furniture fixtures and equipment (FF&E); 3) marketing and advertising or website development; 4) rehabilitation of leased space or owned buildings (including engineering and architectural and local permits or fees); 5) purchase of manufacturing equipment (with or without installation costs); 6) refinancing of existing business debt when provided in conjunction with financing other eligible costs. The Administrator will review the scope of work proposed by the business and the use of CDBG funds to verify that they are necessary for success of the business and reasonable.

## **2.9 INELIGIBLE USE OF FUNDS**

Funds under this Program will not pay for reimbursement of expenses incurred prior to loan approval. Program funds will not be used to pay off personal debt of owners not associated with the business. Loan funds cannot be shifted from one approved type of cost to another, from FF&E to working capital without resubmitting the loan for Lenders approval. Funds cannot be used to support other businesses the borrower may have an interest in. Non profits are not eligible for assistance.

## **2.10 OTHER CDBG REQUIREMENTS**

There are a number of other federal laws and state requirements that are triggered by use of CDBG funding. The Lender and Administrator will take the lead and ensure compliance with these other CDBG regulations. Any impacts of these federal regulations on a proposed project being funded will be explained at the time of loan application screening so the borrower knows and understands how the project will be impacted by these CDBG federal regulations.

Prior to award or approval of funds, federal environmental reviews are required by HUD for each business funded with CDBG monies. The environmental review must comply with HUD's regulations regarding the National Environmental Policy Act (NEPA). The Lender is required to complete and certify the proper NEPA review along with any State environmental review under California's Environmental Quality Act (CEQA). The level of environmental review is based on the type of project proposed and activities to be completed. Applicant will be informed of any additional time required for loan processing due to the NEPA review. No costs will be charged to the borrower for this process.

Compliance with Davis Bacon and related Acts is required when CDBG funding is used to pay for construction costs. This will add additional costs to projects that require CDBG funds to pay for construction. In addition, state prevailing wage may be triggered when CDBG funding is used. Loan processing staff will work with businesses to ensure that funded business projects are in compliance with the state and federal prevailing wage laws. Applicants will be informed of any additional time or costs or administrative work required due to the prevailing wage regulations. Any additional costs resulting from this regulation will be incorporated into the business loan.

Acquisition and Relocation laws may be triggered when using CDBG funds. Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply whenever there may be displacement of a person or business because of the use of CDBG funding. Loan processing staff will work with loan applicants to ensure the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations. See **Attachment D** for the County of Trinity Relocation Policies and Procedures.

Using CDBG program income (PI) first is required when the Lender is operating a loan program activity under an open grant that is the same as an existing PI revolving loan account (RLA) activity. The Lender must always use the local PI on hand in the RLA first, prior to drawing down funds from a state open grant. If the Lender has local CDBG program income funds on hand in a micro enterprise assistance revolving loan account then the Lender will expend local program income first to fund a loan prior to requesting open grant funds from the Department.

All businesses who wish to receive funds under this Program will be required to obtain a number from Dun and Bradstreet, called a Dun's number. The Dun's number is free and can be obtained on line. A copy of the web site page with the Dun's number on it will be placed in the loan file and used in reports to the Department.

The Administrator will check the federal debarred status of each business prior to funding. A copy of the web site search print out will be placed in the loan file to confirm the business is not on the federal debarred contractors list.

#### **2.11 REQUIRED LOAN REVIEW BY DEPARTMENT STAFF**

Department staff must review each business assistance loan for procedural compliance with federal regulations and these adopted program guidelines. Upon review and approval of a loan package submitted by the Lender, a formal written approval letter will be issued by the Department. See **Attachment A-4** of these guidelines for a copy of the Department's Loan Approval and Drawdown Checklist and guidance on underwriting different types of loans.

Staff will submit the loan approval package to the State CDBG office for review prior to getting formal local approval. Once approved for compliance with Program loan underwriting and CDBG regulations, the Lender will take the loan to the local loan committee for approval.

### **3.0 PROGRAM OPERATIONS AND LOAN PROCESSING**

#### **3.1 PROGRAM MARKETING AND OUTREACH**

Program marketing will be conducted by the Administrator with assistance from the Lender. Administrator staff will arrange local media coverage with ads in local papers. Marketing brochures will be distributed to local chamber of commerce and business networking organizations and presentations will be scheduled for these groups as well as real estate groups and local commercial banks and lenders. The local Small Business Development Corporations (SBDC) will be used as a referral agency.

#### **3.2 FAIR LENDING COMPLIANCE**

This program will be implemented in ways consistent with the Lender's commitment to state and federal fair lending laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

#### **3.3 LOAN APPLICATION PROCESSING**

Loan applications will be processed on a first come first served basis. See **Attachment A-3** for a sample application form. The Administrator will accept loan applications and review them for initial eligibility. Applications that do not meet basic requirements of the program will be returned with an explanation of requirements needing to be met. The Administrator will interview the business owners and review the application for funding and the Program guidelines and conduct a site visit if it is an existing business in operation.

The Program loan approval checklist showing required documentation will be provided to the business so proper financial information is made available. Sample sources and uses forms and profit and loss statements and pro forma spread sheets can be made available so that the business or their financial representative can input the proper financial figures. Proper financial history of the business and future financial projections can be developed with the help of the local business development agency.

**Attachment A-4** has general guidance on how a CDBG loan will be underwritten based on if the business is start up and based on a loan amount exceeding \$35,000. The proper Department loan approval checklist must be used when sending a loan package in for final approval. The Lender and Administrator will consult with state CDBG staff on loans or activities where questions arise regarding compliance with federal regulations or underwriting.

The Administrator will compile a loan file with all the credit, financial, and underwriting information needed for loan analysis. A credit or loan committee memo is developed summarizing the loan request and recommending action for the Lender's Loan Advisory Board (LAB). A credit or loan committee memo recommending approval is done only if all the proper criteria of these guidelines

are met and the business loan proposal is strong.

### **3.4 PROGRAM LOAN ADVISORY BOARD**

The Loan Advisory Board (LAB) shall be made up of an odd number persons. The Lender staff shall ask LAB members to volunteer for this board. The LAB members can be from local financial institutions, the Lender, or other interested parties who have the professional capacity to review and evaluate commercial loans. See **Attachment A-5** for sample LAB loan approval memo.

LAB loan review will take place for each loan applicant prior to funding. LAB meetings will be scheduled by Lender staff in conjunction with Administrator staff once a loan has been underwritten and is ready for review and approval. LAB members are responsible for reviewing each loan application funding proposals and making recommendations to the Lender. LAB may request additional information and or attach contingencies for final approval and loan closing. LAB approval will take place after Department review and approval. If the LAB makes significant changes to the loan terms or conditions, then the loan must be resubmitted to the Department for a second review and final approval before funding.

### **3.5 LOAN APPLICANT CONFIDENTIALITY**

Persons serving as the Administrator and Lender and LAB for this Program will not disclose any of the Borrowers personal confidential information as part of loan approval process. All confidential information of businesses will only be disclosed to persons required to view the information as part of loan review and approval. All personal and business confidential information of loan applicants will be kept in a locked secured storage facility and will not be available to persons outside of the program. If the Lender or Administrator or Department get a request for public records for a loan applicant then only non-confidential information, as verified by legal counsel, will be provided.

### **3.6 DISPUTE RESOLUTION/APPEALS PROCEDURE**

Any person applying for a business assistance loan through the CDBG program has the right to appeal if their application is denied. The appeal must be made in writing to the Administrator and the Lender. The LAB will schedule a meeting for the appeal to be heard. If the application is denied a second time then the person may ask to have their appeal presented to the Lender's governing body for a final decision.

The Administrator is responsible to the Lender to assure that the Program is implemented in compliance with state and federal regulations. In addition, loans must be underwritten in accordance with proper program guidelines in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. The Administrator will ensure that each funded business is eligible, the project costs are eligible and each loan is underwritten in compliance with these guidelines.

### **3.7 NO CONFLICT OF INTEREST ALLOWED**

No member of the Trinity County Board of Supervisors, or any other person, who

exercises policy decision making function or other responsibilities in connection with the planning and implementation of the Program shall be directly nor indirectly eligible for this program.

### **3.8 EXCEPTIONS / SPECIAL CIRCUMSTANCES**

Exceptions are defined as any action that would depart from policy and procedures stated in the guidelines.

- Procedure for Exceptions/Special Circumstances

The County or its agent may initiate consideration of an exceptional/special circumstance. A report on the situation will be prepared and presented to the Loan Committee. The Loan Advisory Board shall make a determination of the exceptional or special circumstances request at a regular or special meeting.

### **3.9 LOAN CLOSING PROCESS**

Upon written approval by the Department, the Administrator and Lender will prepare for the loan closing. The Borrower will sign all the necessary documents and agreements. The Lender will request funds from the Department or local finance department (depending on if the funds come from an open grant or local program income). The Administrator will prepare the escrow loan closing documents; prepare title and lien searches, and UCC-1 filings, if appropriate. Lender's legal counsel will review all agreements and documents, as necessary.

### **4.0 LOAN TERMS AND SECURITY**

#### **4.1 LOAN TERMS AND FEES**

The loan term is based on what is being funded so if a business only wants operating capital then the term of the loan is normally five years. If a business wants to pay for equipment and supplies then the term of the loan can be extended out to 10 years. If the loan is for real property improvements and secured by real property, then it can be secured for 20 to 30 years. Staff will confirm that the proper term is given based on the use of the funds.

Interest rates will also be determined by what is being funded as well as the borrower's Return on Investment (ROI). Rates will typically be between four (4%) percent and seven (7%) percent.

A loan servicing fee will be charged to the borrower upon close of the loan. This fee will be used to set up the loan with the Lender's loan payment collection agency. Borrowers will be provided with a loan disclosure, which breaks out all fees associated with the loan transaction and breaks out what costs are paid for, by borrower fees and what costs are paid for by Program activity delivery funds. There is no loan pre-payment penalty.

Small grants up to \$5,000 are available for borrowers with an existing business that has been in business for over 6 months. Grant funds can be used for the following needs: Marketing Plan Development and/or implementation, marketing

materials/advertising costs and/or website development. Grant applicants/recipients must attend or more technical assistance classes given by the local small business development center.

#### **4.2 COLLATERAL AND SECURITY REQUIREMENTS**

All loans under this program will be collateralized to the greatest extent possible. Both personal and business assets will be reviewed for collateral coverage. Some collateral will be taken even when the asset has no value (over encumber personal residence). Types of collateral may include:

- Liens on real property,
- Deeds of Trust,
- Liens on machinery, equipment, or other fixtures,
- Lease assignments, as appropriate,
- Having Lender Named as Beneficiary on Life Insurance, and
- Other collateral, as appropriate.

In addition to collateral, personal and corporate guarantees will be required of borrowers.

#### **4.3 LOAN SECURITY POSITION**

All loans will be secured in the strongest possible position to ensure loan repayment in the event of a default. Loans may be secured in a secondary position in second or third lien position.

#### **4.4 LOAN TO VALUE RATIO**

All loans will be secured to the highest degree possible. Loans of less than \$25,000 may have loans that are partially secured. In some instances the collateral being used to secure the loan may already be fully encumbered by another lender. The Lender may choose to lien these assets even though there is no security in them. For each loan the Administrator will negotiate with the borrower and other lenders to ensure loans are fully secured. Documentation of the loan security and loan to value ratio will be presented to the LAB when requesting loan approval.

#### **4.5 DEBT SERVICE COVERAGE**

The business must show that the loan payment will be covered by the projected revenue of the business. In addition, the business must show that the owner is able to pay themselves a reasonable living wage from operation of the business. Typical debt coverage ratios for the program are 1.25 and coverage as low as 1.10 will be accepted on a case by case basis. This ratio means that for every dollar of debt on the business, there will be one dollar and twenty five cents in revenue to cover the debt.

The debt ratio will be calculated based on all debt the business will be carrying. This includes CDBG funds plus any other loans currently in place or proposed to be used for funding the project.

## **5.0 LOAN UNDERWRITING PROCESS**

### **5.1 GENERAL CREDIT REQUIREMENTS**

The lender will obtain a personal and business credit report for all loan applicants to determine total debt ratio and general credit history.

### **5.2 MANAGEMENT AND CAPACITY REQUIREMENTS**

A Loan Applicant must:

- Show ability to operate a business successfully,
- Show the business has enough borrowing ability or equity to operate, with the loan, on a sound financial basis,
- Show the proposed loan is of sound value and provides for the current and future needs of the business, and
- Show that the past earning record and future prospects of the firm indicate ability to repay the loan and other fixed debt, if any, out of the profits.

### **5.3 OTHER PROJECT UNDERWRITING CRITERIA**

Each project/business will be evaluated based on the how well it has performed in the past and its future financial forecasts.

- Start up project's special underwriting.
- The amount of private dollars used as leveraging funds.
- The past financial viability of the proposed project.
- The future financial viability of the proposed project.
- The demonstrated need for the funds ("appropriate" test).

The LAB will consider these additional underwriting criteria as part of reviewing each request for micro enterprise assistance. These criteria can be used to further support a request for funding approval.

## **6.0 LOAN SERVICING**

### **6.1 LOAN COLLECTION AND SERVICING**

The Lender will act as the loan collection agent for its existing CDBG economic development loans. The duties of the collection agent will include the following:

- Loan payment collection and accounting,
- Agent will provide monthly receipts of loan payments.
- Provide quarterly statements on each loan.
- Undertake loan collections, including asset liquidation,
- Obtain annual financial statements from each business to assess health of the business.
- Negotiate any change in repayment terms to avoid foreclosure.

**ATTACHMENT A-1**

**INCOME ELIGIBILITY GUIDELINES  
COUNTY OF TRINITY  
MICRO ENTERPRISE LOAN AND TECHNICAL ASSISTANCE PROGRAM  
2009**

Persons in Family	Maximum Income Limit
1	<u>30,125</u>
2	<u>35,700</u>
3	<u>40,200</u>
4	<u>44,650</u>
5	<u>48,200</u>
6	<u>51,800</u>
7	<u>55,350</u>
8	<u>58,950</u>

For families larger than 8, additional calculations must be made

California, Housing and Community Development  
2009 Income Limits

## ATTACHMENT A-2

### INCOME DEFINITIONS

Income will be calculated based on countable gross income of all persons living in the household for the following twelve (12) month period from date of the application and calculation of income. Income includes the following:

1. Gross income from wages, salaries and commissions, including that from seasonal types of work which can be expected to be repeated.
2. All expected overtime and bonus income which can reasonably be considered and dependable.
3. All net farm and non-farm business income. Projected farm or non-farm business losses will be considered as zero (0) determining annual income.
4. Pensions, Social Security, welfare and unemployment compensation.
5. Child support payments and other payments made on behalf of minors.
6. Income of an applicant's spouse, unless the spouse has been living apart from the applicant for at least six (6) months, for reasons other than military or work assignment.
7. Alimony or other spousal support payments.
8. Proceeds for the sale of equipment, mineral rights or real estate sold under long-term contract (usually more than 3 years).

The following income will not be included in determining income eligibility.

1. Income, in excess of \$480.00, received by a full time student (who is not the applicant or co-applicant) from employment or income from GI Bill benefits, fellowships, scholarships, or assistantships for schooling.
2. Proceeds for the sale of equipment, mineral rights, or real estate sold under a short term contract (usually less than 3 years).
3. Cash value of food stamps, real estate tax exemptions, or similar types of assistance.
4. Income from the employment of children (including foster children) under the age of 18 years.
5. Payments received for the care of foster children, foster adults or for services rendered as a volunteer on a project sponsored by any of the following:
  - a. *Retired Senior Volunteer Program*
  - b. Foster Grandparent and Older American Community Service Programs (as either a foster grandparent, senior health aide or senior companion).
  - c. National Volunteer programs to Assist Small Business and Promote Volunteer Service by Persons with Business Experience.

- d. Peace Corps, VISTA, or any other volunteer program sponsored by ACTION.

**ATTACHMENT A-2 (continued)**

- e. Allowances, such as training and travel expenses, paid by the Department of Labor to JTPA participants. Wages by the employers of JTPA workers will be included.
- f. Any payments received by “live-in” aides for members of a senior citizen borrower’s household, paid by state or federal programs which specifically exclude the cost of shelter for the amount received.

**ATTACHMENT A-3**

**TRINITY COUNTY**  
**MICROENTERPRISE LOAN PROGRAM**

**(PRELIMINARY) LOAN APPLICATION**

I. COMPANY INFORMATION

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

PROJECT ADDRESS: \_\_\_\_\_

\_\_\_\_\_

PROJECT ASSESSOR PARCEL NUMBER(S): \_\_\_\_\_

CURRENT NUMBER OF EMPLOYEES: \_\_\_\_\_

PROJECTED NUMBER OF EMPLOYEES AFTER COMPLETION OF PROJECT: \_\_\_\_\_

NUMBER OF EMPLOYEES TO BE HIRED DURING YEAR ONE: \_\_\_\_\_

(Also indicate which month(s) jobs begin)

NUMBER OF EMPLOYEES TO BE HIRED DURING YEAR TWO: \_\_\_\_\_

(Also indicate which month(s) jobs begin)

TOTAL NUMBER OF NEW EMPLOYEES: \_\_\_\_\_

TOTAL NUMBER OF EMPLOYEES TWO YEARS FROM COMPLETION OF PROJECT (or 24th month of State grant term): \_\_\_\_\_

II. PRINCIPAL(S) INFORMATION

NAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

% OF OWNERSHIP: \_\_\_\_\_

YEARS OF EXPERIENCE: \_\_\_\_\_

III. EXISTING FACILITY

SIZE: \_\_\_\_\_ SQ.FT.

OWNED OR LEASED? \_\_\_\_\_

IF OWNED:

PURCHASE PRICE \$ \_\_\_\_\_

EXISTING MORTGAGE \$ \_\_\_\_\_

RECENT APPRAISED VALUE \$ \_\_\_\_\_

ANNUAL MORTGAGE PAYMENTS \$ \_\_\_\_\_

IF LEASED:

MONTHLY RENT \$ \_\_\_\_\_

ANNUAL RENT \$ \_\_\_\_\_

EXPIRATION DATE OF LEASE \_\_\_\_\_

IV. NEW/EXPANDED INFORMATION (IF APPLICABLE)

SIZE \_\_\_\_\_ SQ.FT.

WILL NEW FACILITY REPLACE EXISTING FACILITY? \_\_\_\_\_  
IF REPLACED, WILL RENT BE SAVED OR WILL EXISTING FACILITY BE  
SOLD?

\_\_\_\_\_

CURRENT MARKET VALUE OF EXISTING FACILITY? \$ \_\_\_\_\_

PURCHASE PRICE OF NEW FACILITY \$ \_\_\_\_\_

APPRAISED VALUE \$ \_\_\_\_\_

WILL PURCHASER OCCUPY ENTIRE SPACE? \_\_\_\_\_

IF NO:

EXPLAIN OTHER USES: \_\_\_\_\_

\_\_\_\_\_

% TO BE OCCUPIED BY PURCHASER: \_\_\_\_\_

RENTAL INCOME GENERATED: \$ \_\_\_\_\_

V. PRINCIPAL BANK INFORMATION

NAME OF BANK: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

TELEPHONE NUMBER: \_\_\_\_\_

AVAILABLE LINE OF CREDIT: \_\_\_\_\_

VI. PROJECT COSTS

NEW CONSTRUCTION \$ \_\_\_\_\_

REHABILITATION \$ \_\_\_\_\_

OFF-SITE IMPROVEMENTS \$ \_\_\_\_\_

ACQUISITION \$ \_\_\_\_\_

OTHER: \$ \_\_\_\_\_

TOTAL: \$ \_\_\_\_\_

VII. PROJECT FUNDING

RLF	\$ _____
BANK	\$ _____
COMPANY	\$ _____
OTHER	\$ _____
TOTAL	\$ _____

VIII PROJECT DESCRIPTION

IX. ADDITIONAL INFORMATION

X. INFORMATION REQUESTED BY LOAN COMMITTEE

\_\_\_\_\_ BUSINESS INCOME STATEMENTS  
(CURRENT & LAST THREE (3) YEARS)

\_\_\_\_\_ BUSINESS BALANCE SHEETS  
(CURRENT & LAST THREE (3) YEARS)

\_\_\_\_\_ PERSONAL FINANCIAL STATEMENTS

\_\_\_\_\_ INCOME TAX RETURNS  
(LAST THREE YEARS)

\_\_\_\_\_ DEBT SCHEDULE

\_\_\_\_\_ RESUME(S) OF OWNER(S) AND BUSINESS HISTORY

\_\_\_\_\_ ITEMIZED THIRD PARTY COST ESTIMATE

\_\_\_\_\_ PRELIMINARY PLANS INCLUDING FACADE RENDERING

\_\_\_\_\_ SIGNED ASSISTANCE AGREEMENT

\_\_\_\_\_  
\_\_\_\_\_

I/WE HEREBY ACKNOWLEDGE THAT THE LOAN COMMITTEE DOES NOT AND CANNOT GUARANTEE THAT I/WE WILL RECEIVE FINANCING FROM THE RLF, OR PUBLIC OR PRIVATE LENDERS. IN ADDITION, RLF FINANCING WILL NOT BE PROVIDED WITHOUT ADEQUATE DOCUMENTATION REGARDING FUNDING OF THE BALANCE OF PROJECT COSTS.

APPLICANT SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

APPLICANT SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**ATTACHMENT A-4**

**MICROENTERPRISE LOAN APPROVAL AND DRAWDOWN CHECKLIST**  
**PROJECT CHECKLIST**

1. Business Information:
  - \_\_\_ Business Plan
  - \_\_\_ Resume(s) of Principal(s)(normally those with 20% ownership or more)
  - \_\_\_ Articles of Incorporation/By-Laws
  - \_\_\_ Certificate of Good Standing (obtained for Corporations from Secretary of State)
  - \_\_\_ Partnership Agreement
  - \_\_\_ Franchise Agreement
  - \_\_\_ Fictitious Name Statement
  
2. Project Information:
  - \_\_\_ Purchase Agreement (Deposit Receipt)
  - \_\_\_ Preliminary Title Report on Property to be acquired
  - \_\_\_ Preliminary Plans and Specifications
  - \_\_\_ Cost Estimates (Construction, Machinery & Equipment)
  - \_\_\_ Lease Agreement, Existing or Future
  - \_\_\_ Project Appraisal
  - \_\_\_ Applicable Permits and Licenses
  - \_\_\_ Copy of Equity Capital/Buy-Out Agreement
  - \_\_\_ Summary of Collateral
  
3. Financial Information:
  - a. Business
    - \_\_\_ Income Statement - past three years plus current (within 60 days)
    - \_\_\_ Balance Sheet - past three years plus current (within 60 days)
    - \_\_\_ Aging Schedules of Accounts Receivable/Payable (same date as current Balance Sheet)
    - \_\_\_ Schedule of Existing Debt (same date as current Balance Sheet)
    - \_\_\_ Business Federal Tax Returns (past three (3) years) (Used to verify/supplement Financial Statements)
    - \_\_\_ Income and Cash Flow Projections (next two (2) years)
    - \_\_\_ Pro Forma Balance Sheet
  - b. Personal:
    - \_\_\_ Personal Financial Statements of Principal Owner(s) (normally those with 20% Ownership or more)
    - \_\_\_ Individual Federal Tax Returns of Principal(s)
  
4. Other Information:
  - \_\_\_ Corporate Resolution to Borrow
  - \_\_\_ Letter of Assurance from Business as to Hiring Policy, Training Agreements, Location, Use of Proceeds, etc.
  - \_\_\_ Other

**MICROENTERPRISE LOAN APPROVAL AND DRAWDOWN CHECKLIST**

**PRE-CLOSING CHECKLIST**

- \_\_\_\_\_ A copy of the construction contract between the business and the general contractor.
- \_\_\_\_\_ A copy of final construction/rehabilitation plans stamped by the appropriate local agency - County building permit department.
- \_\_\_\_\_ A copy of the Construction Contractors Performance Bond (100% Performance, Labor and Material Bond - owner as obligee).
- \_\_\_\_\_ A copy of the building permit.
- \_\_\_\_\_ A letter from an insurance agent, stating that hazard insurance will be in effect upon closing of the loan, naming the Lender as mortgagee. Insurance should be for the total amount of the project.
- \_\_\_\_\_ A copy of the contractor's workers' compensation and Builders Risk Policy.
- \_\_\_\_\_ A lien form (UCC-1) on all machinery and equipment to be held as collateral.
- \_\_\_\_\_ Copy of the purchase agreement between buyer and seller.

**MICROENTERPRISE LOAN FUND CHECKLIST**

1. Discuss RLF program with potential clients and make a preliminary determination on eligibility. If they are expanding or locating their business in Trinity County, and can create one new full time job per \$35,000 loaned, and can demonstrate a need for RLF financing ("gap"), they may be eligible (Outreach Contractor). If eligible have business submit preliminary loan application.
2. Review financial statements and project information. See attached checklist for items required for a complete review (Outreach Contractor, TOT).
3. Discuss project with County staff to determine eligibility.
4. If the project appears appropriate and necessary, complete preliminary application and documentation, including underwriting analysis for County review (TOT). See attached guidelines.
5. If the project appears reasonable:
  - a. prepare the environmental review
  - b. schedule Economic Development Loan Committee meeting. (County).
6. Prepare loan package for Loan Committee denial or preliminary loan approval - 2 originals, 1 to County, 1 to Client, (County).
7. Present loan application to County Loan Committee for denial or preliminary approval.(County).
8. Prepare letter to applicant if loan denied or approved. (County)
9. Submit application to State CDBG Economic Development staff for review if preliminary approval given by Loan Committee (County).
10. Post public notice after CDBG review for environmental review and hold public comment period. Allow up to 30 days for comments. If environmental review is negative, terminate application and review process (County).
11. Present loan package to Loan Committee for final approval after CDBG review (County).
12. Record and transcribe minutes of meeting (County ). Prepare a brief summary of the meeting (County).
13. Send letter to client outlining conditions, Loan Committee decision and Draft Loan Agreement (County).
14. Client accepts terms and conditions.
15. Confirm that conditions (obtaining insurance, bank loan, etc.) have been met or are likely to be met (TOT).
16. Prepare escrow closing instructions for Title Company (TOT/County).
17. Prepare loan agreement, guarantee agreement, security agreement and promissory note, if applicable. Have client sign 4 originals (3 to County, 1 to client). (TOT)
18. Review closing documents (County).
19. Meet with client after loan agreement is signed to re-emphasize the necessity of hiring or retaining the required number of targeted income persons. The client will be monitored for compliance on a quarterly basis for five years after loan closing or until the loan is repaid, whichever is less (County). Reports shall be in a mutually agreeable format.
20. Request funds disbursement as approved (County).

**ATTACHMENT A-5**

**SAMPLE MICROENTERPRISE LOAN APPROVAL MEMO**

Date:

Applicant  
Business  
Address  
City, ST zip

Dear Loan Applicant;

On \_\_\_\_\_ the Business Loan Committee approved your application, subject to CDBG review, for a CDBG business loan to your for your business, \_\_\_\_\_ as follows:

- Business name and owner(s) names: \_\_\_\_\_
- Business located in \_\_\_\_\_ at address: \_\_\_\_\_
- CDBG loan amount \$ \_\_\_\_\_ at \_\_\_\_\_ % for \_\_\_\_\_ years, collateral to be a \_\_\_\_\_ on the \_\_\_\_\_, payments of interest and principle in the amount of \$ \_\_\_\_\_ to be paid monthly beginning at date when funds are available for your Drawdowns. I anticipate this to be \_\_\_\_\_.

Thank you very much for submitting a microenterprise loan application. The County is pleased that it can play a role in contributing to the success of your business. I look forward to working with you on this project.

Sincerely,

Rachel Allen  
Grants Analyst II/  
Loan Officer

**ATTACHMENT B**

**TRINITY COUNTY  
MICRO ENTERPRISE FINANCIAL ASSISTANCE PROGRAM  
MICRO GRANT APPLICATION**

---

Business Name: \_\_\_\_\_

Applicant(s) Name: \_\_\_\_\_

Business Address: \_\_\_\_\_  
\_\_\_\_\_

Contact Phone: \_\_\_\_\_ Email: \_\_\_\_\_

**Please indicate what you wish to use grant funds for:**

- Marketing Plan Development
- Advertising/Marketing Campaign Implementation
- Website Development/Improvement

**Please indicate approximate amount to be used for each activity:**

Marketing Plan Consultant: \$ \_\_\_\_\_

Advertising: \$ \_\_\_\_\_

Marketing Materials (Brochures/Catalogs): \$ \_\_\_\_\_

Website Development: \$ \_\_\_\_\_

**Please provide a short description of your goals for this plan:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Applicant Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## **ATTACHMENT C**

### **LOAN SERVICING POLICIES AND PROCEDURES FOR THE COUNTY OF TRINITY**

The County of Trinity, here after called “County” has adopted these policies and procedures in order to preserve its financial interest in properties, who’s “Borrowers” have been assisted with public funds. The County will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The County has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan’s principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications; 5) demand requests, payoffs and reconveyance 6) required noticing and limitations on any changes in title or use of property; 7) required noticing and process for requesting a subordination during a refinance; 8) processing of foreclosure in case of default on the loan.

#### **1. Loan Repayments:**

The County will collect monthly payments from those borrowers who are obligated to do so under Notes, which are amortized promissory notes. Late fees will be charged for payments received after the assigned monthly date.

For Notes, which are deferred payment loans; the County may accept voluntary payments on the loan. Loan payments will be credited to the interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

#### **2. Payment of Property Taxes and Insurance:**

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the County as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the County may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower’s new insurance.

When a property is located in a 100 year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. The County may verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to

maintain payment of property taxes then the County may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the County encourages Borrower to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

When the Borrower's loan is in second position behind an existing first mortgage, it is the County's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of County's loan. This document requires any senior lien holder listed in the notice to notify the County of initiation of a foreclosure action. The County will then have time to contact the Borrower and assist them in bringing the first loan current. The County can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the County is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

On all owner occupant loans the County will require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan.

Some deferred payment loans may have income and housing cost evaluations, which require a household to document that they are not able to make repayments, typically every five years. These loan terms are incorporated in the original note and deed of trust.

5. Demand Requests, Payoffs and Reconveyance:

When the County receives a Demand/Payoff Statement Request Housing Rehabilitation Staff will calculate the interest due through the estimated payoff date along with the remaining principal balance and prepare a Demand/Payoff Statement as soon as possible. Statement and reconveyance fees will be charged according to the maximum allowed. Staff will forward the Demand and all documents required to reconvey the Deed of Trust to the appropriate party in a timely manner.

When a loan reaches its maturity date and is paid in full the County will prepare and record the appropriate documents to reconvey the Deed of Trust in a timely manner.

6. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the County in writing of any change. County and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains available as an affordable home for low income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or

transferred as part of a business transaction. In some cases the Borrower will move and turn the property into a rental unit without notifying the County. This would be in violation of the Program and trigger the default policy and procedure.

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the County's Loan Committee (depends on the HCD program).

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is in the TIG. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. If the heir intends to act as an owner-investor, the balance of the loan is due and payable. All such changes are subject to the review and approval of the County's Loan Committee.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. If the owner converts any assisted unit from owner occupied to rental, the loan is due in full.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the County allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

#### 7. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the County. The County will only subordinate their loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt pay offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the loan committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the County.

#### 8. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; 5) default on senior loans, the County will send out a letter to the Borrower notifying them of the default situation. If the default situation continues then the County may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the County is notified via a Request for Notice of Default, the County, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. County must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case then the County may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the County determines, based on information on the reinstatement amount and status of borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the County does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the County can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the County decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the County fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the County determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the County's lien may be eliminated due to insufficient sales proceeds.

#### County as Senior Lien holder

When the County is first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the County may consider foreclosure. County's staff will consider the following factors before initiating foreclosure:

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?

- 2) Can the Borrower refinance with a private lender and pay off the County?
- 3) Can the Borrower sell the property and pay off the County?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the County may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the County to prevent foreclosure (such as, funds to bring a delinquent loan current or pay off a Deferred Payment Loan).

At the end of thirty days, the County should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the County of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the County informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the County could sell the home themselves under a homebuyer program or use it for an affordable rental property managed by a local housing authority or use it for transitional housing facility or other eligible use. The County could contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

## **ATTACHMENT D**

### **COUNTY OF TRINITY RESIDENTIAL ANTIDISPLACEMENT & RELOCATION ASSISTANCE POLICY**

The County of Trinity hereby certifies that: The County will replace all occupied and vacant habitable Target Income Group dwelling units demolished or converted to a use other than as Targeted Income Group housing in connection with an activity assisted with funds provided under the Housing and Community Development Act of 1974, as amended, as described in 24 CFR 570.496(a).

All replacement housing will be provided within three years of the commencement of the demolition or conversion. Before obligating or expending funds that will directly result in such demolition or conversion, the jurisdiction will make public notice in local newspapers and submit to the Department the following information in writing:

1. A description of the proposed activity.
2. The location on a map and the number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as Targeted Income Group dwelling units as direct result of the assisted activity.
3. A time schedule for the commencement of the demolition or conversion.
4. The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data is not available at the time of the general submission, Community Housing Improvement Program, as agent of the County, will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size as soon as it is available.
5. The source of funding and a time schedule for the provision of replacement dwelling units.
6. The basis for concluding that each replacement dwelling unit will remain a Targeted Income Group dwelling unit for at least ten years from the date of initial occupancy.
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a two-bedroom unit with two one-bedroom units) is consistent with the housing needs of the targeted income group households in the County of Trinity.

The Trinity County Grants Administration Office, phone number (530) 623-8371, is responsible for tracking the replacement housing needed and ensuring that it is provided within the required period.

The Trinity County Grants Administration Office is responsible for ensuring requirements are met for notification and provision of relocation assistance, as referenced above, to any targeted income group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with the assisted activity.

The County will provide equal relocation assistance to each Targeted Income Group household displaced by the demolition of housing or by the conversion of a Targeted Income Group

