

**COOPERATION AGREEMENT FOR
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS
FOR THREE FEDERAL FISCAL YEARS (2007-2009)**

This Cooperation Agreement For Community Development Block Grant Funds (“this AGREEMENT”) is made and entered into this _____ day of _____, 2006, by and between the County of Santa Barbara, a subdivision of the State of California, hereinafter referred to as (“COUNTY”), and the City of Lompoc, a municipal corporation within COUNTY, hereinafter referred to as (“CITY”).

WHEREAS, the Housing and Community Development Act of 1974, as amended (24 U.S.C. 93-383 et seq.), (the “ACT”), provides that Community Development Block Grant, hereinafter referred to as (“CDBG”), funds may be used for the support of activities that provide decent housing and suitable living environments and expanded economic opportunities principally for persons of low- and moderate-income; and,

WHEREAS, CDBG regulations allow contiguous units of general government to join together to qualify as an Urban County under the CDBG program; and,

WHEREAS, COUNTY is not individually eligible for a CDBG formula allocation and wishes to join with CITY to obtain entitlement status; and,

WHEREAS, CITY is eligible for a CDBG formula allocation as a Metropolitan City and wishes to relinquish its entitlement status for three years in order to enter into an agreement to participate with a COUNTY CDBG program; and,

WHEREAS, the United States Department of Housing and Urban Development, (“HUD”), will review and certify this AGREEMENT in order to assure compliance with HUD requirements; and,

WHEREAS, COUNTY has complied with all requirements for Counties seeking entitlement status under the CDBG program.

NOW THEREFORE, in consideration of the mutual covenants herein set forth and the mutual benefits to be derived therefrom, the parties agree as follows:

1. GENERAL

This AGREEMENT covers the COUNTY and CITY’S participation in the federal CDBG Program and the federal HOME Investment Partnership Program.

The COUNTY shall apply to HUD pursuant to 24 CFR 570.307(a) for designation as an urban county as that term is defined in [citation] (“Urban County”).

The COUNTY shall have the authority to undertake or assist in accepting CDBG funding as an Urban County and undertaking eligible community development activities for the

next three Federal Fiscal Years (2007-2009), funded from the CDBG program and from any program income generated from the expenditure of such funds. COUNTY and CITY agree to cooperate to undertake, or assist in undertaking, community renewal and lower income housing assistance activities.

2. TERM

The term of this AGREEMENT shall be the COUNTY CDBG Urban County qualification period of the federal fiscal years 2007-2009, commencing on October 1, 2006, and ending on September 30, 2010, unless an earlier date of termination is fixed by HUD, pursuant to the ACT. Notwithstanding the above, if there are activities undertaken pursuant to this Agreement that are not yet completed or funded, then for the purpose of those activities only, this AGREEMENT shall remain in effect until all CDBG funds received pursuant to this AGREEMENT, and any program income received with respect to activities carried out pursuant to this AGREEMENT are expended, and the funded activities are completed.

3. PREPARATION OF APPLICATION

COUNTY shall be responsible for preparing and submitting to HUD, pursuant to 24 CFR 91, all necessary applications and materials to obtain CDBG entitlement as an Urban County under the ACT. This duty shall include complying with all applicable noticing requirements, the preparation and processing of COUNTY Housing, Community and Economic Development Needs Identification, Citizen Participation Plans, the County Consolidated Plan, and other CDBG related programs which satisfy the application requirements of the ACT and all applicable regulations .

4. COMPLIANCE WITH FINAL PROGRAMS AND PLANS

COUNTY and CITY shall comply in all respects with final Community Development plans and programs and the Consolidated Plan which are developed through mutual cooperation pursuant to the application requirements of the ACT and its regulations and approved by HUD.

5. COMPLIANCE WITH ACT AND REGULATIONS

COUNTY and CITY shall comply with all applicable requirements of the ACT and its regulations, in utilizing basic grant funds under the ACT, and shall take all actions necessary to assure compliance with COUNTY certifications required by Section 104(b) of Title I of the ACT.

COUNTY and CITY will comply with the provisions of the National Environmental Policy Act of 1969, Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Order 11988, Section 109 of Title I of the ACT, the Fair Housing Act, and other applicable federal laws.

CITY agrees CDBG funding for activities in or in support of CITY are prohibited if CITY does not affirmatively further fair housing within its own jurisdiction or impedes COUNTY

actions to comply with its fair housing certification, except to the extent CITY is exercising its governmental authority to comment on, challenge or support any land use related matter proposed by or on behalf of COUNTY which may effect CITY, in CITY'S reasonable judgment.

6. PROHIBITION ON CITY APPLICATION TO OTHER CDBG AND HOME PROGRAMS

By executing this AGREEMENT, CITY understands and agrees it may not apply for grants from appropriations under the Small Cities or State CDBG Programs for the fiscal years covered by this AGREEMENT.

By executing this AGREEMENT, CITY also understands and agrees it may receive a formula allocation under the HOME Program only through the COUNTY Consortium.

7. POLICIES

COUNTY and CITY have adopted and are enforcing policies prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and a policy of enforcing applicable state and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within jurisdictions.

8. DISTRIBUTION OF FUNDS

a. CITY and COUNTY agree HUD will review and approve a draft of this AGREEMENT prior to final approval by CITY and COUNTY. Unless prohibited by Federal Laws or Regulations, COUNTY and CITY agree, for each fiscal year covered by this AGREEMENT, CDBG funds will be allocated by COUNTY to CITY, in an amount greater than the amount that CITY would have received if it had retained its status as a Metropolitan City as identified by HUD ("HUD Identified City Entitlement"). As part of its notice to CITY, COUNTY shall annually provide to CITY the HUD identified City Entitlement amount figure not later than 30 days after the COUNTY has received its Urban County allocation from HUD. COUNTY shall clearly show 1) which HUD approved allocation formula is being used, 2) provide all demographic and census population data used, and 3) show all calculations on how the allocation amounts were determined. The amount of CDBG funds COUNTY shall distribute to CITY for each fiscal year covered by this AGREEMENT shall be as follows:

Year 1 – The HUD Identified City Entitlement for that year, plus the lesser of (i) \$1 Million of the CDBG project funds allocated to COUNTY for that year, or (ii) a pro-rata share of fifty and four tenths percent (50.4%) of CDBG project funds allocated to COUNTY for that fiscal year minus the HUD Identified City Entitlement for that year;

Year 2 – The HUD Identified City Entitlement for that year, plus the lesser of (i) \$500,000 of the CDBG project funds allocated to COUNTY for that year, or (ii) a pro-rata share of twenty five and two tenths percent

(25.2%) of CDBG project funds allocated to COUNTY for that fiscal year minus the HUD Identified City Entitlement for that year; and

Year 3 – The HUD Identified City Entitlement for that year, plus the lesser of (i) \$200,000 of the CDBG project funds allocated to COUNTY for that year, or (ii) a pro-rata share of ten and one tenth percent (10.1%) of CDBG project funds allocated to COUNTY for that fiscal year minus the HUD Identified City Entitlement for that year.

An example of how the above formulas work in a hypothetical year is set forth in Exhibit A which is incorporated herein.

b. In addition to the amounts set forth in subparagraph a., above, COUNTY shall pay CITY an amount up to \$30,000.00 per fiscal year during the term of this AGREEMENT solely for the purpose of reimbursing CITY for any additional costs that are incurred by CITY directly as a result of this AGREEMENT (“Administrative Compensation”). Costs shall only be reimbursable under this subsection b if CITY reasonably demonstrates to COUNTY such costs represent new costs to CITY that it did not incur prior to this AGREEMENT, that such costs are directly attributable to new activities necessitated by this AGREEMENT and that such costs are not eligible to be treated as program costs. No Administrative Compensation shall be paid beyond the stated term of this AGREEMENT even if there are on-going activities that extend beyond that term.

c. If necessary because of unforeseen delays in proposed projects that will be utilizing funds allocated to CITY pursuant to this AGREEMENT, CITY reserves the right to revise the applicable schedule, and request reimbursement from COUNTY in amounts differing from that schedule as set forth below. Any such revision will be in accordance with a “three (3) year allocation approach” within the three (3) year Consortium Agreement period. The total three (3) year allocation to CITY will remain the same as what it would otherwise be, namely the total of (1) the HUD Identified City Entitlement for Years 1, 2 and 3, (2) the sum total of the “pro-rata share”, described more fully in Exhibit A, for Years 1, 2 and 3 and (3) the Administrative Compensation for Years 1, 2 and 3. However, an individual year allocation may be revised to accommodate project delays with unspent amount “carried over” to subsequent years. Notwithstanding the above, Administrative Compensation and any entitlement to it shall not be carried over from a previous year. CITY will work cooperatively with COUNTY in advising COUNTY in a timely manner of changes in the schedule of CITY’S expenditure of funds, in order for the COUNTY to remain in compliance with HUD on regulations governing the “timely” expenditure of CDBG funds.

d. Notwithstanding the above, in no event shall COUNTY be obligated to distribute more funds to CITY under this AGREEMENT than COUNTY receives during the three-year agreement period. If HUD does not award CDBG funds to COUNTY in a given year, COUNTY’S obligation to distribute those funds to CITY will be terminated. In the unlikely event, that solely through COUNTY actions or negligence, COUNTY loses its Urban County status, COUNTY agrees to make CITY whole for an amount equivalent to CITY’S HUD Identified City Entitlement. If the COUNTY loses its

Urban County status through the imposition of HUD administrative sanctions or if the CDBG program or any successor program is eliminated by an act of Congress and major statutory changes are made to 24 U.S.C. 93-383 et seq., which authorizes the CDBG program, COUNTY is not obligated to provide CDBG funds to CITY.

e. Subject to HUD rules and regulations, twenty percent (20%) of the funds that CITY receives as its HUD Identified City Entitlement may be used for administration. All of the funds received by CITY pursuant to the above formulas that are over and above the HUD Identified City Entitlement for that fiscal year, will be distributed as project funds that must be spent on eligible projects, or other allowable activities under the ACT and HUD regulations, and shall not be used for program administration. CITY agrees it will not receive additional administrative funds for the allocations that are in addition to its HUD Identified City Entitlement and the Administrative Compensation.

f. In addition to the above, sponsors of eligible projects that are located within the jurisdiction of CITY may apply to the COUNTY for additional CDBG funds from the remaining COUNTY allocation. Such projects will be treated for funding purposes the same as they would if they were located within the unincorporated COUNTY or other cities within the COUNTY that participate in the COUNTY'S CDBG program

g. CDBG funds will be used for activities and/or projects prioritized by CITY to alleviate its identified community needs eligible under the ACT. Administration costs associated with the HUD identified City entitlement CDBG funds will be used by CITY as required to carry out administrative activities eligible under the ACT.

h. CITY retains sole authority over the award and implementation of all CDBG funds allocated to CITY under this AGREEMENT, including those CDBG funds distributed to CITY that are in addition to its HUD Identified Entitlement. COUNTY, through its Board of Supervisors, shall be responsible for determining the final disposition and distribution of all remaining funds received by COUNTY under the ACT, including but not limited to the selection of the projects for which such funds shall be used. Consistent with provisions set forth in this Paragraph 8, both parties agree that COUNTY has the sole authority to redistribute all CDBG funds when eligible projects that have been selected for funding are not implemented in a timely manner as defined by HUD.

i. In the event that funds must be redistributed from a project within the jurisdiction of CITY, CITY shall have the authority on selecting the eligible project or projects to receive the redistributed funds.

j. CDBG funds under this AGREEMENT shall be distributed by COUNTY on a reimbursement basis. CITY may request reimbursement not more than twice monthly. To obtain a distribution, CITY shall submit a written request for distribution that complies with all applicable HUD requirements and includes wiring instructions and the request shall be sent via overnight mail and e-mail. COUNTY shall distribute to CITY within three business days the amount requested so long as it meets all HUD requirements and is for an amount equal or less than the amount that COUNTY has received and set aside for CITY pursuant to this Paragraph 8. If reimbursement is

received by CITY is later than ten (10) business days after the post marked date of invoice to COUNTY and the invoice is consistent with the requirements of this Paragraph 8, then, in addition to reimbursement amount, CITY will receive a ten percent (10%) late fee (calculated upon the reimbursement amount) paid from any available COUNTY funding.

9. DISPOSITION OF PROGRAM INCOME

a. CITY shall inform COUNTY on a semi-annual basis regarding any income generated by the expenditure of CDBG funds received by CITY under this AGREEMENT. All such program income shall be retained by CITY and shall be used only for eligible activities in accordance with all applicable CDBG requirements and regulations. Consistent with CDBG regulations, the CITY reserves the right to use twenty percent (20%) of program income earned in the program year for General Administration, and fifteen percent (15%) of said program income earned in the prior year.

b. All program income generated by the expenditure of CDBG funds that is retained by COUNTY shall be used by COUNTY for eligible activities in accordance with all applicable CDBG requirements and regulations.

c. Any income generated by CITY or COUNTY from the disposition or transfer of real property prior to any close out or change of status shall be treated as program income. COUNTY shall be responsible for monitoring and reporting to HUD on the use of any such program income. CITY shall engage in appropriate record keeping and reporting to the COUNTY as required by the COUNTY for this purpose.

d. In the event of CDBG close-out or the change in status of CITY under the CDBG program, any program income generated from CDBG funds paid to CITY pursuant to this AGREEMENT that is unexpended on the date of such close out or change in status or that is received by CITY shall be paid by CITY to COUNTY. However, if CITY resumes direct CDBG entitlement status CITY may keep program income generated from CDBG funds or the disposition, sale or transfer of real property improved with CDBG funds paid to CITY under this AGREEMENT; provided, that it uses that program income for a CDBG eligible purpose and such use is in accordance with CDBG regulations. Any income generated from the disposition or transfer of real property prior to any such close out or change of status shall be treated the same as program income.

10. ADMINISTRATION OF PROGRAM

a. Except for administration of those funds distributed directly to CITY as set forth in Paragraph 8 above, COUNTY shall have the responsibility of administering the CDBG program including but not limited to preparation of plans to be submitted to HUD, issuance of notices, requests' for project submittals, evaluation administration and monitoring of projects not paid for solely with CITY CDBG funds, tracking and receiving program income and reporting to HUD. CITY is, to the greatest extent permissible by law and regulations, responsible for compliance with federal National Environmental Protection Act (NEPA) and the California Environmental Quality Act and for all

required noticing and documentation for projects funded under this AGREEMENT within its jurisdictional boundaries.

b. Except for that portion of administration fees that are part of the HUD Identified City Entitlement which shall be paid to CITY as set forth above and the Administrative Compensation, COUNTY may retain fees for the management of the CDBG Program subject to the percentage permitted by HUD regulations. The administrative fees assigned to CITY as a part of the HUD Identified City Entitlement shall be at a percentage not to exceed that allowed by HUD regulations. Only costs associated with the management and administration of the CDBG Program may be charged against CDBG administrative allocations.

c. COUNTY will be responsible for reports to be prepared as may be required by CDBG regulations, including but not limited to the Consolidated Plan, the Annual Action Plan, the Comprehensive Annual Performance Report (CAPER), and Cash and Management Information System reports. COUNTY and CITY will cooperate in the collection of, and will furnish any and all information required for, reports to be prepared as may be required by CDBG regulations.

d. CITY and COUNTY agree to abide by program administrative costs parameters stated in 24 CFR 570.206.

11. CITY USE OF CDBG FUNDS

CITY maintains sole authority over the award and implementation of funds allocated to CITY pursuant to this AGREEMENT. CITY may contract with other entities to perform CDBG-eligible activities. CDBG – eligible activities in which the CITY desires to engage must be approved by CITY designated entity providing citizen participation, in advance of any contract being executed.

CITY agrees any CDBG-eligible activities funded through this AGREEMENT shall be confirmed with a written contract that contains the provisions specified in the CDBG Regulations at 24 CFR 570. In addition, any contract made between CITY and another entity for the use of CDBG funds pursuant to this AGREEMENT shall comply with all applicable CDBG regulations. A copy of all executed contracts for CDBG – funded activities shall be available to the COUNTY as program administrator.

12. DISPOSITION OF REAL PROPERTY

The provisions of this paragraph set forth the standards that shall apply to real property acquired or improved in whole or in part using CDBG funds received by CITY pursuant to this AGREEMENT. Prior to any modification or change in the use of said real property from the use or ownership planned at the time of its acquisition or improvements, CITY shall notify COUNTY and obtain authorization for said modification or change. CITY shall reimburse COUNTY with non-CDBG funds in an amount equal to the current fair market value (less any portion thereof attributable to expenditures of non-CDBG funds) of property acquired or improved with CDBG funds that is sold or transferred for a use that does not qualify under CDBG regulations.

This paragraph does not apply to any property owned by CITY prior to the date of this AGREEMENT.

13. CONTINUATION OF BENEFITS OF THIS AGREEMENT

In the unlikely event that Congress amends the ACT in a manner that would prevent CITY from being able to regain its status as a “Metropolitan City,” per section 42USC5302(a)(4)(a) of the ACT, because CITY relinquished its status as a Metropolitan City for the purpose of assisting COUNTY in obtaining CDBG funds under this AGREEMENT, COUNTY agrees, as long as COUNTY receives CDBG funds, or similar funds from any successor program which receives an annual Congressional appropriation, then COUNTY will take all reasonable actions, including, but not limited to, entering into subsequent cooperation agreements, or similar agreements, with CITY to ensure CITY will receive, at a minimum, the benefits that are set forth below:

- A. In each fiscal year, CITY will be entitled to receive a portion of COUNTY’S CDBG (or successor program) allocation according to the same formula CITY received funding pursuant to Year 3 as set forth in paragraph 8 of this AGREEMENT, plus the Additional Compensation.
- B. Continue to receive the same administrative funds for the CDBG funds that are equivalent to the HUD Identified City Entitlement without the administrative responsibility,
- C. Sole Authority over the award and implementation of those funds allocated to CITY; including the additional project funds,
- D. Eligibility to participate in activities, programs and/or projects funded through the remaining COUNTY allocation;
- E. Upon negotiation, retain any income generated from expenditure of portions of proceeds from sale of real property acquired or improved with its allocation, and;
- F. To the greatest extent permissible by law and regulations, responsibility for compliance with federal National Environmental Protection Act (NEPA) and the California Environmental Quality Act, noticing and documentation for projects funded under this AGREEMENT within its jurisdictional boundaries.

Notwithstanding the above, for any future year, in no event shall COUNTY be obligated to distribute more funds to CITY under this AGREEMENT than COUNTY receives for a given fiscal year under the CDBG Program. If HUD or another federal agency does not award CDBG funds to COUNTY, COUNTY’S obligation to distribute those funds to CITY will be terminated.

14. EFFECTIVE DATES

This AGREEMENT shall be effective for all purposes when this AGREEMENT and like agreements have been executed by COUNTY and CITY, properly submitted to HUD, the grantor, by the designated deadline, and approved by HUD.

15. INDEMNIFICATION

CITY agrees to indemnify, defend and hold harmless COUNTY and its respective authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this AGREEMENT from CITY'S acts, errors or omissions and for any costs or expenses incurred by COUNTY on account of any claim therefore, except where such indemnification is prohibited by law.

COUNTY agrees to indemnify, defend and hold harmless CITY and its respective authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this AGREEMENT from COUNTY'S acts, errors or omissions and for any costs or expenses incurred by CITY on account of any claim therefore, except where such indemnification is prohibited by law.

CITY shall indemnify, defend and hold harmless COUNTY and its respective authorized officers, employees, agents and volunteers from any liability, claims, losses, demands, and actions incurred by COUNTY as a result of the determination by HUD or its successor that activities under taken by CITY under the program(s) fail to comply with any laws, regulations or policies applicable thereto or that any funds billed by and disbursed to CITY under this AGREEMENT were improperly expended.

COUNTY shall indemnify, defend and hold harmless CITY and its respective authorized officers, employees, agents and volunteers from any liability, claims, losses, demands, and actions incurred by CITY as a result of the determination by HUD or its successor that activities under taken by COUNTY under the program(s) fail to comply with any laws, regulations or policies applicable thereto or that any funds billed by and disbursed to COUNTY under this AGREEMENT were improperly expended.

16. INSURANCE REQUIREMENTS

Each party recognizes and accepts the other party is self-insured. Either party may purchase commercial insurance to cover their exposure hereunder, in whole or in part.

17. This paragraph intentionally omitted.

18. OTHER AGREEMENTS

Pursuant to federal regulations at 24 CFR 570.501(b), CITY is subject to the same requirements applicable to subrecipients, including the requirement of a written agreement set forth in federal regulations at 24 CFR 570.503. COUNTY and CITY will enter into a further written agreement that contains these minimum requirements. Prior to disbursing any CDBG funds to CITY, COUNTY, shall execute said written agreement with CITY. Said AGREEMENT shall remain in effect during any period that CITY has control over CDBG funds, including program income.

19. NOTIFICATION

Any and all notices, writings, correspondences, etc., sent pursuant to this AGREEMENT shall be directed to CITY and COUNTY as follows:

CITY	COUNTY
City of Lompoc CDBG Program Coordinator P.O. Box 8001 Lompoc, CA 93438-8001	Housing and Community Development Dept. Housing Finance Division Manager 105 E. Anapamu Street, Room 3 Santa Barbara, CA 93101

20. AGREEMENT NOT APPLICABLE TO OTHER FUNDS

This AGREEMENT applies only to those funds received under the CDBG Program and program income generated by CDBG funds. This AGREEMENT does not apply to or control funds other than those described in this paragraph. **[This might change if HUD requires that it is necessary to include a reference to HOME funds. County Counsel has asked for clarification from HUD]**

21. RECORDS

CITY and COUNTY shall maintain, on a current basis, complete records, including but not limited to, contracts, loan documents, rehabilitation write — ups, final inspection reports, books of original entry, source documents supporting accounting transactions, eligibility and service records any of which may be applicable, a general ledger, personnel and payroll records, canceled checks and related documents and records to assure proper accounting of funds and performance of this AGREEMENT in accordance with CDBG regulations. To the extent permitted by law, COUNTY and CITY will also permit access to all books, accounts or records of any kind for purposes of audit or investigation, in order to ascertain compliance with the provisions of this AGREEMENT. Records shall be maintained for the period of this AGREEMENT plus three years.

IN WITNESS WHEREOF, the parties have caused this AGREEMENT to be executed as of the day and year written above.

COUNTY OF SANTA BARBARA

CITY OF LOMPOC

By: _____
MICHEAL F. BROWN
County Executive Officer

By: _____
Gary P. Keefe
City Administrator

Dated: _____

Dated: _____

ATTEST

Donna Terrones, City Clerk

Dated: _____

APPROVED AWS TO FORM
SIGNED AND CERTIFIED THAT A COPY
OF
THIS DOCUMENT HAS BEEN
DELIVERED TOTHE CHAIRPERSON OF
THE BOARD

APPROVED AS TO FORM

Sharon Stuart, City Attorney

Clerk of the Board of Supervisors
Of the County of Santa Barbara

Dated: _____

By: _____

Dated: _____

APPROVED AS TO FORM AND
CERTIFIED THAT THE TERMS AND
PROVISIONS OF THIS AGREEMENT
ARE FULLY AUTHORIZED UNDER
STATE AND LOCAL LAWS AND THAT
THIS AGREEMENT PROVIDES FULL
LEGAL AUTHORITY FOR THE COUNTY
TO UNDERTAKE THE ACTIONS
DESCRIBED HEREIN.

By: _____
DEPUTY COUNTY COUNSEL

Dated: _____
