



# **State of California CDBG-NDR Action Plan Amendment 2**

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Department of Housing and Community Development

## **State of California Non-Substantial Amendment 2: Community and Watershed Resilience Program Under the National Disaster Resilience Competition (NDRC)**



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## I. Summary of Changes

In accordance with Public Law 113-2, HUD announced an allocation of \$1 billion of the \$15.2 billion appropriated for certain declared disasters occurring during the years 2011, 2012 and 2013 for the National Disaster Resilience Competition (NDRC). The State of California was awarded \$70.4 million for the Community and Watershed Resilience Program, which includes three pillars: The Forest and Watershed Health Program (FWHP), the Community Resilience Centers (CRC) and the Biomass Utilization Facility (BUF).

The State of California requests approval, through this non-substantial amendment, to expand the BUF pillar to include the following:

- Issuance of a mixture of loans and grants
  - Grants awarded to nonprofits or non-revenue generating projects
  - Grants ranked lower than loans if over subscription
- Expansion of BUF to include projects utilizing sources of alternative energy beyond biomass

## II. Scope of Changes

### 1. Grant and Loan Program

As a part of the planning process established by the Phase II Application and DRGR Action Plan, the California Department of Housing and Community Development (HCD) engaged the Beck Group, a forest product planning and consulting firm, to complete an Economic Viability Assessment of the BUF pillar.<sup>1</sup> The DRGR Action Plan states that, if the feasibility study indicates the best path for developing the biomass facility is to make a loan to a for- or non-profit business, the national objective will be jobs and the number of total and low- and/or moderate-jobs created will be reported.<sup>2</sup> In reviewing the completed feasibility study (January 2019), information gathered during the BUF Request For Information (RFI) process, and in consideration of the NDR grant timeline, HCD proposes that BUF move forward as an economic development program that issues grants or loans to eligible projects. The determination of whether to issue a grant or a loan for a qualifying project will be based on the underwriting analysis and the ability of the recipient's project to support debt repayment.

### 2. Alternative Energy

HCD consulted with HUD staff on January 15, 2020 and, based on the outcomes of the conversation, data collected through the Economic Viability Assessment, and information gathered during the BUF RFI process, HCD proposes the expansion of the BUF pillar to include providing

<sup>1</sup> The Beck Group, California Biomass Utilization Facility, Economic Viability Assessment, January 2019.  
<https://www.tuolumnecounty.ca.gov/DocumentCenter/View/11982/NDRC-BUF-Feasibility-Study-013019>

<sup>2</sup> The State of California DRGR Action Plan, Grant B-13-DS-06-0001. Page 24



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grant or loan funding for projects that utilize sources of alternative energy beyond biomass. This expansion will further advance the BUF goals outlined in the Phase Two Application: to provide economic development opportunities; to provide clean power, cooling and heating and cultivate the development of local energy generation; to repurpose biomass as an alternative to open burning; and to produce jobs in the region.

### **I. Justification for Non-Substantial Amendment**

These changes to the BUF pillar will not present significant change to HCD's capacity to carry out the NDR grant. HCD will remain responsible for subrecipient oversight and management of the BUF pillar, along with the Sierra Nevada Conservancy (SNC), and will continue to work with the Rural Community Assistance Corporation (RCAC) as a Community-Based Development Organization (CBDO) to implement the program and provide low-interest loans and grants to support biomass and alternative energy business in Tuolumne County. RCAC is an experienced loan fund manager and has existing processes to lend and monitor funds.

The soundness of approach will remain the same as project eligibility will be based on meeting the key goals established by the Phase II Application. In addition, the Most Impacted and Distressed Area (MID), leverage, program benefit, beneficiaries, eligibility criteria, and budget will remain the same.

The Action Plan states that the feasibility study will determine the best method for developing the Biomass facility (as a public facility or as an economic development activity that will create jobs), the possible entities that are available to participate, and the highest and best locations for siting the Biomass facility.<sup>3</sup> In turn, it was determined that public facilities and economic development are eligible activities and, instead of creating one central facility, eligible projects may include public facility proposals.

HCD, RCAC, and SNC are in the process of developing BUF program guidelines with the goal of launching the grant and loan fund by the third quarter of 2020.

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<sup>3</sup> The State of California DRGR Action Plan, Grant B-13-DS-06-0001. Page 24