



# MARIPOSA COUNTY

Administration/Community Development · 966-3222



## **RESOLUTION - ACTION REQUESTED 2018-16**

MEETING: January 9, 2018

TO: The Board of Supervisors

FROM: Dallin Kimble, County Administrative Officer

RE: PUBLIC HEARING: Revolving Loan Fund Program and Microenterprise Docs

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### **RECOMMENDATION AND JUSTIFICATION:**

PUBLIC HEARING to Rescind Resolution 17-830 and Approve a Corrected Amendment to the Community Development Block Grant Revolving Loan Fund Programs and the Mariposa County Microenterprise Business Assistance and Housing Loan Program Guidelines to Include Financing Numbers that Were Not Included in Documents Approved by Resolution 17-509.

The 2017 Program Income Reuse Plan was adopted by the Board of Supervisors on July 25, 2017 by Resolution 17-509. The adopted plan included guidelines for the Housing Rehabilitation program. Part III, Financing, had fields that were left blank. The blanks were completed and approved with Resolution 17-830 but approval required a public hearing that was not appropriately advertised. Having now advertised the public hearing, staff is requesting approval of the amendment.

The 2017 Program Income Reuse Plan establishes where program income generated by microenterprise business assistance and house rehabilitation loan plans (principal and interest) will be distributed. The 2017 Program Income Reuse Plan allocates 100% of the Program Income from the microenterprise loans to be deposited into the Microenterprise Business Assistance Revolving Loan Fund (ME-RLF) and 100% of the Program Income from the microenterprise business assistance loans to be deposited into the Housing Rehabilitation Loan Account (HR-RLF).

### **BACKGROUND AND HISTORY OF BOARD ACTIONS:**

The previous Program Income Reuse Plan was approved on November 22, 2016, and included two Revolving Loan Fund (RLF) programs, one for Housing and one for Microenterprise Business Assistance.

### **ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

A negative action would leave the existing plan in place with the blank spaces, and HCD would not approve the RLFs, so the County would not be permitted to loan any funds from these accounts.

### **FINANCIAL IMPACT:**

## Resolution - Action Requested 2018-16

**The Program Income Reuse Plan will dictate to which Revolving Loan Account revenue will be allocated.**

**ATTACHMENTS:**

**Housing Guidelines\_revised (PDF)**

**regional data (PDF)**

**Resolution\_2017-509 (PDF)**

**Public Hearing Notice\_Revolving Loan Fund Program\_Housing Rehabilitation (DOC)**

**RESULT: ADOPTED [UNANIMOUS]**

**MOVER:** Kevin Cann, District IV Supervisor

**SECONDER:** Marshall Long, District III Supervisor

**AYES:** Smallcombe, Jones, Long, Cann, Menetrey

Date Approved: \_\_\_\_\_

Rep. Signature: \_\_\_\_\_

(SAMPLE)

## **HOUSING REHABILITATION PROGRAM GUIDELINES**

### **I. APPLICANT ELIGIBILITY**

#### **Temporary Relocation**

Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. Relocated tenants will receive increased housing costs, payment for moving and related expenses and appropriate advisory services, as detailed in the City of [XXX]'s "Residential Antidisplacement and Relocation Assistance Plan", *Please see sample "Residential Antidisplacement and Relocation Plan" in Chapter 4.*

Owner occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the project coordinator/construction supervisor.

#### **Conflict of Interest**

No member of the governing body of the locality and no other official, employee, or agent of the city government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program, unless the application for assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the city ends.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. (Owner/builders are reimbursed for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement occurs after the installation is verified by the Construction Supervisor to be part of the scope of work. Owner/builders are not reimbursed for labor.) The City/County reserves the right to determine if the owner is capable of owner/builder rehabilitation work.

#### **Income**

**Owner Occupant** - To be eligible, household income must be equal to, or less than, the applicable HCD income guidelines. Owner will be required to provide income documentation. (See attached Annual Household Income Definition/Income Limits).

**Owner Investor** - There are no restrictions on the income of the owner investor unless the owner investor is a member of the Targeted Income Group (TIG) and is interested in qualifying for a Deferred Payment Loan.

**Tenant** - If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation. (See attached Annual Household Income Definition/Income Limits).

#### **Occupancy**

No unit to be rehabilitated will be eligible if it is currently occupied by an HCD ineligible household. Rental households occupying such units will be allowed to remain in the units. To prevent owners from evicting ineligible tenants before applying for the program, the owner must certify that no tenant has

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been forced to move without cause during the previous six months.

#### Fair Housing

This program will be implemented in ways consistent with the city's commitment to Fair Housing. No person 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 Community Development Block Grant (CDBG) funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause.

## **II. PROPERTY ELIGIBILITY**

#### Location

Units to be rehabilitated must be located within current city limits.

#### Rehabilitation Standards

All repair work will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards.

#### Property Improvements

All improvements must be physically attached to the property and permanent in nature. General property improvements should be limited to 15% of the rehabilitation loan amount. Luxury items are not permitted.

#### Lead-Based Paint

Program participants rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated under CDBG, please refer to Chapter 20, Lead-Based Paint Requirements for guidance. The costs associated with meeting these requirements are eligible to be paid for with CDBG funds, and should be considered during program design

## **III. FINANCING**

#### Owner Occupant

Limits - An eligible owner may qualify for the full cost of the rehabilitation work needed to comply with Uniform Building Code standards. Maximum assistance with CDBG funds is \$50,000. Total indebtedness against property will not exceed 100 percent of after rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the city.

#### Types of Financing and Terms

Deferred Payment Loans (DPL) - Non-interest bearing loan, secured by a deed of trust, with no payback required until the participant sells or transfers title or discontinues residence in the dwelling, unless sold or transferred to a targeted income group household (see IV.A.2). Payments may be made voluntarily on a DPL.

Grants are limited, with a maximum \$7500 per household. Total CDBG program funds distributed as grants shall not exceed \$100,000.

#### Determining Eligibility

1. Every targeted income group owner occupants who are determined to be eligible for the CDBG program may receive DPL financing.
2. A limited number of \$7,500 grants are available as follows:
  - Senior Citizen - at least 62 years old.
  - Handicapped - only for handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed.
  - Lowest Targeted Income Group - with gross annual income less than 50 percent of county median income.

#### Owner Investor

Limits-An owner investor may qualify for the full cost of the rehabilitation work needed to comply with Uniform Building Code standards. Maximum assistance from CDBG funds is to be determined by the local jurisdiction. Two underwriting variables to consider are the loan-to-value ratio (does the property constitute sufficient value compared to the size of the loan the borrower is requesting to adequately secure the debt) and the debt-to-income ratio (the ability of the borrower to repay the debt). Total indebtedness against property will not exceed 100 percent of after rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other sources of leverage.

#### Maximum Loan-to-Value

The maximum encumbrance will normally be limited to (100%) of the property's after- rehabilitated value.

When the ratio is at or above (100%) the city/county may require an appraisal.

#### Debt-to-Income Ratio

Applicants whose debt to income ratio exceeds (50%) may be considered ineligible to participate in the program.

#### Types and Terms of Financing

Amortized loan - Below Market Interest Rate (BMIR) loan at 2 percent interest, secured by a deed of trust and with a maximum term of 15 years.

Combined financing - 50% percent of rehabilitation costs as a BMIR loan and 50% percent as a DPL. A DPL is a non-interest bearing loan secured by a deed of trust with no payback required until the owner investor sells or otherwise transfers title to the rehabilitated property, unless sold or transferred to a targeted income group household. Payments may be made voluntarily on a DPL.

DPL for a TIG owner investor who agrees to comply with standard investor restrictions (i.e., Maintenance Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below. Same terms as described in previous paragraph above.

#### Restrictions

##### Rent Limitation Agreement (RLA)

An owner investor who elects to rehabilitate a rental unit with CDBG financing must sign an RLA, which

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will be recorded. This agreement will specify:

In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.

**Base Rent -- Vacant Unit**

If the house is vacant, rent charges shall not exceed 30 percent of 80 percent city median income for the appropriate household size in that unit. Owner investor shall affirmatively seek TIG households by contacting the local housing authority. Where such contact does not result in eligible TIG tenants, the owner investor shall contact the city for guidance.

**Base Rent -- Occupied Unit**

If the house is occupied, rent charges shall not exceed 30 percent of the existing tenants' household income; or, where, before rehabilitation, rents already exceed 30 percent of the existing tenants' income, no rent increases shall be allowed which provide for rents plus utilities over 30 percent of the tenants' income.

**Terms**

If financing is the combined BMIR/DPL, adherence to these rent limitations will be for five years from the date of Notice of Completion of construction.

If financing is a DPL), adherence to these rent limitations will be for the term of the loan.

Compliance – Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be instituted.

**Lead-Based Paint**

Program participants, including tenants, rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated under CDBG, please refer to Chapter 20, Lead-Based Paint Requirements for guidance. The costs associated with meeting these requirements are eligible to be paid for with CDBG funds, and should be considered during program design

**Maintenance Agreement**

As specified in the Rehabilitation Loan Agreement, an owner investor who participates in the program must maintain the property at post-rehabilitation conditions for a minimum of five years. Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be instituted.

**IV. RESIDENCY REQUIREMENTS**

**Owner Occupant**

Owner occupants will be required to submit to the city between January 1 and 15 of each year for the term of the loan:

- Proof of occupancy in the form of a copy of a current utility bill.

- Statement of unit's continued use as a residence.
- Declaration that other title holders do not reside on the premises.

In the event that an owner occupant sells, transfers title, or discontinues residence in the rehabilitated or purchased property for any reason, the loan is due and payable.

If the owner occupant sells or otherwise transfers title of the property to a targeted income group household, the city will consider subordinating the loan and continuing all or part of the lien as a DPL.

If the owner occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted, upon approval of the City of [XXX], to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.

If the owner occupant dies and the heir is not income eligible, the loan is due and payable.

If the owner occupant dies and the heir is not income eligible, but he or she chooses to rent the unit to TIG households and agrees to comply with owner investor restrictions, the heir may be permitted, upon approval of the City of [XXX], to assume the loan at the same rate and terms offered owner investors under current program guidelines. If the heir/owner investor does not comply with owner investor restrictions, the loan is due and payable.

If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the city in advance. If the city approves the conversion of an owner occupied unit to a rental, the owner will be required to comply with the provisions of the owner investor guidelines, including rent limitation provisions and financing arrangements.

If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

#### Owner Investor

If an owner investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.

An owner investor may convert a rental property to his or her personal residence if all conditions below exist:

- He or she can prove that the previous tenant was not evicted without cause.
- He or she is income eligible.
- He or she requests approval from the city.

If an owner investor converts a rental property, rehabilitated with CDBG funds, to his or her personal residence, but he or she is not income eligible, the loan is due and payable.

If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

## **V. DEFAULT AND FORECLOSURE**

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the CDBG Foreclosure Policy adopted by the city, and **located in Chapter 19.**

## **VI. INSURANCE**

### **Fire Insurance**

The applicant shall maintain fire insurance on the property for the duration of the loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the city as Loss Payee for the amount of the loan(s). A binder shall be provided to the city.

In the event the applicant fails to make the fire insurance premium payments in a timely fashion, the City of [XXX] at its option, may make such payments for a period not to exceed 60 days. The city may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the City of [XXX] make any payments, it may, in its sole discretion, add such payments to the principal amount that the applicant is obligated to repay the city under this program.

### **Flood Insurance**

In areas designated by HUD as flood prone, the owner is required to maintain flood insurance in an amount adequate to secure the Rehabilitation Loan. This policy must designate the city as Loss Payee. The premium may be paid by the Rehabilitation Loan for one year.

## **VII. LOAN OR GRANT APPROVAL**

All loans and grants must be approved by the CDBG Loan Review Committee. In order to obtain CDBG financing, applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Applicants will be provided written notification of approval or denial. Reason for denial will be provided to the applicant in writing.

## **VIII. REPAIR CALLBACKS**

In the event that a contractor must be called back to make corrections on rehabilitation work items that are not covered by the one year warranty, the City has the option to cover the costs through the current CDBG construction budget.

## **IX. PROGRAM COMPLAINT AND APPEAL PROCEDURE**

Complaints concerning the CDBG Program should be made to the Project Manager first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the city. The city will then schedule a meeting with the CDBG Loan Review Committee. Their written response will be made within fifteen (15) working days. If the applicant is not satisfied with the committee's decision, a request for an appeal may be filed with the city council. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

## **X. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR**



Contracts signed by the contractor and the participant include the following clause, which provides a procedure for resolution of grievances:

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

#### **XI. CONTRACTING PROCEDURES**

- All housing rehabilitation work must be carried out using the CDBG adopted housing rehabilitation guidelines.
- The city/county will prepare, advertise the bid package and assist the homeowner in negotiating the contract.
- The homeowner will select the contractor.
- All contractors must be checked and cleared with HUD'S federal debarred list of contractors.
- All contractors must be actively licensed and bonded with the State of California.
- All contractors must have public liability insurance to the city/county required limits, Workmen's Compensation Insurance, unemployment and disability insurance.
- All contractors must comply with CDBG federal and state regulations.
- A Notice of Completion must be recorded with the County Recorder.

#### **XII. SWEAT EQUITY**

Participants who wish to perform sweat equity will sign a written commitment itemizing the work they will perform, a time schedule for completion and a dollar value of the contribution.

Owners that contribute sweat equity that involves painting will not participate in activities that include the abatement or mitigation of lead paint hazards without first being trained on Safe Work Practices as required by HUD and provide documentation of such in the project file.

#### **XIII. AMENDMENTS**

Amendments to these guidelines may be made by the city and submitted to HCD for approval.

#### **XIV. EXCEPTIONS**

Exceptions to these guidelines will require city council and HCD approval.

#### **XIV. HUD INCOME LIMITS 200 ADJUSTED FOR FAMILY SIZE FOR CITY/COUNTY**

#### **XIII. ATTACHMENTS**

The following documents are attached and form a part of these guidelines:

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- Annual Household Income Definition/Income Limits
- \*Residential Antidisplacement and Relocation Assistance Plan
- \*CDBG Foreclosure Policy

***(\*Note to Readers: The sample Residential Antidisplacement and Relocation Assistance Plan is in Chapter 4. The sample CDBG Foreclosure Policy is located in Chapter 19.)***

## ANNUAL HOUSEHOLD INCOME DEFINITION

For the purposes of determining eligibility in accordance with HCD income guidelines, Annual Income will include, for all members of the household:

1. Gross wages and salary before deductions.
2. Net money income from self-employment.
3. Cash income received from such sources as rental units, Social Security benefits, pensions, and periodic income from insurance policy annuities.
4. Periodic cash benefits from public assistance and other compensation, including AFDC, SSI, Worker's Compensation, State Disability Insurance and Unemployment benefits.
5. Interest earned on savings and investments.

Annual Income will not include:

1. Non-cash income such as food stamps or vouchers received for the purpose of food or housing.
2. Capital gains or losses.
3. One time unearned income such as scholarship and fellowship grants; accident, health or casualty insurance proceeds; prizes or gifts; inheritances.
4. Payments designated specifically for medical or other costs, foster children or their non-disposable income.
5. Income from employment of children under the age of 18.
6. Payment for the care of foster children.

This is not meant to be a complete list. Grantee will make the final decision in situations where the classification of income is not clear cut. Any exceptions or other deviations from this definition of annual income will be considered by Grantee.

**2005 CDBG INCOME LIMITS**  
**Refer to Appendix Docs & Supporting Materials Section**

**RESIDENTIAL ANTIDISPLACEMENT AND RELOCATION ASSISTANCE PLAN**  
**Refer to Chapter 6**

**CDBG FORECLOSURE POLICY**  
**Refer to Chapter 19**

**(SAMPLE)**  
**CDBG HOUSING CONDITION SURVEY**

MAP # \_\_\_\_\_  
           Vacant (---Yes/---No)  
           For Sale (---Yes/---No)

ADDRESS \_\_\_\_\_  
 CITY \_\_\_\_\_

**CONSTRUCTION TYPE**

Wood Frame \_\_\_\_\_  
 Masonry \_\_\_\_\_  
 Mobile \_\_\_\_\_  
 Modular \_\_\_\_\_  
 Other \_\_\_\_\_

**STRUCTURE TYPE**

Single Family with Detached Garage \_\_\_\_\_  
 Single Family with Attached Garage \_\_\_\_\_  
 Duplex \_\_\_\_\_  
 Multi-Family \_\_\_\_\_ # of Units \_\_\_\_\_  
 Other \_\_\_\_\_

**FRONTAGE IMPROVEMENTS IF APPLICABLE:**

\_\_\_\_\_ CURBS (---Yes/---No)                      \_\_\_\_\_ PAVED STREET (---Yes/---No)  
 \_\_\_\_\_ GUTTERS (---Yes/---No)                      \_\_\_\_\_ SIDEWALKS (---Yes/---No)  
 \_\_\_\_\_ ADEQUATE SITE DRAINAGE (---Yes/---No)                      \_\_\_\_\_ Driveway (---Yes/---No)

**#1 - FOUNDATION:**

0 Existing foundation in good condition.  
 10 Repairs needed  
 15 Needs a partial foundation  
 25 No foundation or needs a complete foundation.

**#4 - WINDOWS:**

0 No repair needed.  
 1 Broken window panes  
 5 In need of repair.  
 10 In need of replacement.

**#2 - ROOFING:**

0 Does not need repair  
 5 Shingles missing  
 5 Chimney needs repair  
 10 Needs re-roofing  
 25 Roof structure needs replacement and re-roofing.

**#5 - ELECTRICAL:**

0 No repair needed.  
 5 Minor repair.  
 10 Replace main panel.

**#3 - SIDING/STUCCO:**

0 Does not need repair.  
 1 Needs re-painting.  
 5 Needs to be patched and re-painted.  
 10 Needs replacement and painting.  
 10 Asbestos/Lead-Based.

Sound	9 or less
Minor	10 - 15
Moderate	16 - 39
Substantial	40 - 55
Dilapidated	56 and over

56 Dilapidated-a unit suffering from excessive neglect, where the building appears structurally unsound and maintenance is nonexistent, not fit for human habitation in its current condition, may be considered for demolition or at a minimum, major rehabilitation will be required.

	#1 Foundatio n	#2 Roofin g	#3 Siding/ Stucco	#4 Window s	#5 Electrica l	TOTAL
Points						

Comments:

Surveyor \_\_\_\_\_

Date \_\_\_\_\_

Revised 7/98

### **DEFINITION OF HOUSING CONDITIONS**

**SOUND**: A unit that appears new or well maintained and structurally intact. The foundation should appear structurally undamaged and there should be straight roof lines. Siding, windows, and doors should be in good repair with good exterior paint condition. Minor problems such as small areas of peeling paint and/or other maintenance items are allowable under this category.

**MINOR**: A unit that show signs of deferred maintenance, or which needs only one major component such as a roof.

**MODERATE**: A unit in need of replacement of one or more major components and other repairs, such as roof replacement, painting, and window repairs.

**SUBSTANTIAL**: Aa unit that requires replacement of several major systems and possibly other repairs (e.g. complete foundation work, roof structure replacement and re-roofing, as well as painting and window replacement.)

**DILAPIDATED**: A unit suffering from excessive neglect, where the building appears structurally unsound and maintenance is none-existent, not fit for human habitation in its current condition, may be considered for demolition or at minimum, major rehabilitation will be required.

### **ELECTRICAL INSPECTION PROCEDURE**

1. Number of service entrance conductor sets (two wire -120 volts, three wire 120/240 volts, (four wire is three phase service and is not common in residences.)
2. Determine panel box conditions-missing knockouts, melted insulation, overheated fuses, missing connectors/bushings, rust, obstructed access, overloaded panel, no main service disconnect.
3. Inadequate /antiquated service-under 100 amps.

### **ROOF INSPECTION PROCEDURE**

1. Observe roof from ground and look for any unusual conditions:
  - a. Unevenness in roof line.
  - b. Signs of leaks in eaves, soffits, fascias, abnormal condensation.
  - c. Dry rot in fascias, rafters or rafter tails.
  - d. Flashings and roof drainage systems in good shape.
  - e. Shingles missing or curled.
  - f. Number of layers of roofing

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2. On flat roofs check bubbles, blisters, cracks, spongy areas, and ponding water conditions.

<b>CDBG Standards for Room and Bathroom Additions</b>	
<b>Unit Size</b>	<b>Maximum No. of Persons in the Household</b>
SRO	1
0-BR	1
1-BR	2
2-BR	4
3-BR	6
4-BR	8
5-BR	10
6-BR	12

- Opposite sex children under 6 years of age may share a bedroom.
- Opposite sex children 6 years of age and older may have their own bedroom.
- Children shall be permitted a separate bedroom from their parents.
- Same sex children of any age may share a bedroom.
- 5 or more people - a second bathroom may be added.
- 10 or more people - a third bathroom may be added.
- Same rules apply to mobile home units.
- Contact your field representative should you have any questions.

**The chart above is used as the Department's guide to overcrowding.**