

**SAMPLE
PROGRAM INCOME PLAN**

City/Town of _____

Date of this Plan _____

A Reuse Plan Governing Program Income from CDBG-Assisted Activities

The purpose of this plan is to establish guidelines on the policies and procedures for the administration and utilization of program income (PI) received as a result of activities funded under the State Community Development Block Grant Program.

Need for Plan Governing Reuse of Program Income

This Plan is intended to satisfy the requirements specified in Federal statute and regulation at Section 104 (j) of the Housing and Community Development Act ("the Act"), as amended in 1992 and 24 CFR 570.489 (e) (3). These statutory and regulatory sections permit a unit of local government to retain program income for CDBG-eligible community development activities. Under federal guidelines adopted by the State of New Hampshire's CDBG program, local governments are permitted to retain program income so long as the local government has received advance approval from the state of a local plan that will govern the expenditure of the program income. This plan has been developed to meet that requirement.

Program Income Defined

Program Income is defined in federal regulation at 24 CFR 570.489 (e) which specify that program income is the gross income received by the jurisdiction that has been directly generated from the use of CDBG funds. (For those program income-generating activities that are only partially funded with CDBG funds, such income is prorated to reflect the actual percentage of CDBG participation). Examples of program income include: payments of principal and interest on housing rehabilitation or business loans made using CDBG funds; interest earned on program income pending its disposition, and interest earned on funds that have been placed in a revolving loan account; net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds; income (net of costs that are incidental to the generation of the income) from the use or rental of real property that has been acquired, constructed or improved with CDBG funds and that is owned (in whole or in part) by the participating jurisdiction or sub recipient.

If the total amount of income (from all sources) generated from the use of CDBG funds (and retained by the City/Town) during a single program year (July 1 through June 30) is less than \$35,000, then these funds shall not be deemed to be program income and shall not be subject to these policies and procedures. However, any program revenue, regardless of the amount, generated from a Revolving Loan Fund is considered PI and is not subject to the \$35,000 limitation. In addition, Quarterly Reports must be submitted regardless of whether the \$35,000 threshold is reached or not. Costs incurred that are incidental to the generation of Program Income may be deducted from the gross program revenue to determine the net Program Income amount.

General Administration (GA) Cost Limitation

Program income is subject to an 10% limit on administration costs and a 12% limit on activity delivery costs per the amount of PI allocated toward a specific activity.

Reuses of Program Income

Program income must be: a) disbursed for an activity funded under an existing open grant prior to drawing down additional Federal funds (i.e. disbursed to an amount that is \$25,000 or less); b) forwarded to the State of New Hampshire Community Development Finance Authority (the Department); c) with CDFA's permission, apply to a future grant or (d) distributed according to this Program Income Plan that has been approved by the Department. The City's/Town's program income will be used to fund *eligible* CDBG activities that meet a *national objective*. Eligible activities and national objective requirements are specified in federal statute at Section 105(a) and in federal regulations at 24 CFR

570.482 and 24 CFR 570.483. ***The PI Reuse Plan shall specify all proposed uses of these funds and the plan shall be adopted by the local governing body after compliance with the locality's citizen participation process as specified in Federal Regulations at 24 CFR 570.486, Local Government Requirements.***

The City/Town reserves the option of utilizing program income to fund/augment a CDBG funded activity (that is different from the activity that generated the PI) included in a grant agreement. The City/Town must first follow the citizen participation process, provide for public disclosure (public notice), obtain a governing body resolution, and obtain approval from the State CDBG Program.

Planning Activities

The City/Town reserves the option of utilizing program income, within the 10 percent general administration annual cap, to fund planning for CDBG-eligible activities. Such planning activities may include environmental reviews or other studies necessary for CDBG-eligible projects or programs or application preparation for CDBG or other grants/loans to supplement funding for CDBG-eligible activities.

Distribution for Reuse of Program Income

The City's/Town's program income that has not been committed to an existing open grant will be distributed, as follows:

Two revolving loan accounts (RLAs) or PI accounts are established to utilize the program income.

The allocations to the RLAs are as follows:

- a) Fifty percent (50 percent) of all program income will be deposited into the Housing Rehabilitation Revolving Loan Account.
- b) Fifty percent (50 percent) of all program income will be deposited into the Business Expansion and Retention Revolving Loan Account.

Note: Alternatively, the jurisdiction could choose different percentages, or to replace the above percentages with a scheme to place all housing rehabilitation loan repayments into the Housing Rehabilitation RLA, and all business loan repayments into the business Expansion and Retention RLA.)

Funds shall not be transferred between RLAs or to an open grant activity without conducting a properly noticed CDBG Citizen Participation public hearing. If it becomes necessary to transfer funds between RLAs, we will consider revising the above distribution formula.

Reporting and Federal Overlay Compliance

The City/Town shall comply with all State CDBG reporting requirements, including submission of a quarterly report on all PI. The City/Town shall ensure that the use of program income under this PI Reuse Plan complies with all CDBG program requirements, including citizen participation, environmental review, equal opportunity, Section 3 employment, lead-based paint, labor standards, procurement, property management, and maintenance of adequate accounting and recordkeeping systems. To ensure ongoing compliance with CDBG requirements, the City/Town shall utilize the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and policies. The City/Town shall obtain the Department's written approval before proceeding with any PI-funded activity.

Maximum Funds in Revolving Loan Accounts

Program Income received by the RLAs during the program year (July 1 through June 30) shall be substantially expended by the end of the program year (June 30). At any given time, the funding balance for either of the RLAs should not exceed \$25,000.

Revising This Plan

The City/Town has the authority to amend this document with a properly noticed Council/Board meeting and approval by the State Community Development Finance Authority (CDFA).

Revolving Loan Accounts

The purposes and allowed uses of funds under these RLAs are, as follows:

Housing Rehabilitation Revolving Loan Account

This fund will be principally used for the purpose of making loans to rehabilitate residential units occupied by households that have an annual income of 80 percent or less of the area's median income. At least 51 percent of the funds expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans).

No more than ___ percent of the program income funds actually expended during the program year under this RLA shall be expended for housing rehabilitation grants. No more than 8 percent of the total PI expended during a PY may be used for CDBG general administration (GA) expenses and no more than 12 percent may be used for program costs. In any event, the total expended for non-revolving activities (grants, program costs, and general administration) shall not exceed 49 percent of the total funds actually expended during the program year (July 1 thru June 30).

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Housing Rehabilitation Program Guidelines that have been adopted by the City/Town. All assistance provided to activities under this RLA shall be made for activities that are located within the City's/Town's jurisdiction.

If the activities funded under the RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG program.

Business Expansion and Retention RLA

This fund will be used to provide "gap" financing for businesses that can document the need for CDBG assistance and that will create or retain qualifying permanent jobs that will be principally filled by members of households which have an annual income that is 80 percent or less than the area's median household income, adjusted for size. At least 51 percent of the funds actually expended for the activity funded under this RLA during the program year shall be used on revolving activities (i.e., loans). No more than percent of the program income funds expended during the program year under this RLA shall be for grants for public infrastructure improvements that are needed to accommodate a specific business expansion or retention project. No more than 8 percent of the total PI expended during a PY may be used for CDBG general administration (GA) expenses and no more than 12 percent may be used for program costs. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49 percent of the total funds expended during the program year (July 1 thru June 30).

If the activities funded under the RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be actually expended prior to drawing down funds from the State CDBG program.

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the federal underwriting guidelines specified at 24 CFR 570.482 (e) that have been incorporated into the City's/Town's adopted Business Revolving Loan Fund Program Guidelines (Attachment) and include the project review procedures. These guidelines will ensure that the amount and terms of the CDBG assistance are appropriate given the documented needs of the business and given the amount of public benefit (job creation/retention) that will result from the CDBG-assisted project. In addition, any activity requesting funding under this RLA shall be deemed to be eligible under Section 570.482 and Section 105 (a) of the Act and shall be determined to provide sufficient public benefit as specified under Section 570.482 (f). Any CDBG assistance for infrastructure shall meet the requirements of Section 570.483 (b) (4) (F) which requires ongoing job tracking for all businesses that initially benefit from an infrastructure project as well as any subsequent business(s) benefiting from these improvements. All assistance provided to activities under this RLA shall be made for activities that are located within the City's/Town's jurisdiction.

Signature of Authorized Official

Date

Name and Title of Authorized Official