

PROGRAM INCOME REUSE PLAN AMENDMENT 3

Amended January 8, 2008

County of El Dorado

A Reuse Plan Governing Program Income from CDBG-Assisted Activities

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

Need for Plan Governing Reuse of Program Income. This Reuse Plan is intended to satisfy the requirement specified in Federal Statute and regulation at Section 104(j) of the Housing and Community Development Act (“the Act”), as amended in 1992 and 4 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 California’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 regulations at 24 CFR 570.489 (e), which specifies 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 fund 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 generated from the use of CDBG funds (and retained by the County) during a single program year (July 1 through June 30) is less than \$25,000, then these funds shall not be deemed to be program income and shall not be subject to these policies and procedures. Costs incurred that are incidental to the generation of Program Income may be deducted from the gross income to determine the Program Income amount. *However, Quarterly and Annual Program Income Reports must be submitted regardless of whether the \$25,000 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. Up to eighteen percent (18%) of the total program income expended on all activities during a single program year may be used for CDBG general administration expenses.

Reuses of Program Income. Program income must be: a) disbursed for an activity funded under an open grant prior to drawing down additional Federal funds; b) forwarded to the State of California, Department of Housing and Community Development (Department); or c) distributed according to this Program Income Reuse Plan that has been approved by Department. The County'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 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 Reuse Plan shall specify all proposed uses of RLF funds and the local governing body shall adopt this plan after compliance with the County's citizen participation process as specified in the County's Citizen Participation Plan.

The County reserves the option of utilizing program income to fund/augment a CDBG funded activity included in a grant agreement. The County will first follow the citizen participation process, hold a public hearing, obtain a governing body resolution, and obtain approval from the State CDBG Program.

Three revolving loan accounts (RLAs) are established to utilize the program income.

Distribution for Reuse of Program Income. The County's program income that has not been committed to open grant activities will be distributed, as follows:

The allocations to the RLAs are as follows:

- 1) X Disburse into a housing rehabilitation revolving loan fund.
- 2) X Disburse into an economic development revolving loan fund.
- 3) X Disburse into a housing acquisition revolving loan fund.

The purposes and allowed uses of funds under these RLF's are, as follows:

Housing Rehabilitation Revolving Loan Fund. This fund will be principally used for the purpose of making loans to rehabilitate residential units occupied by households, which have an annual income, which is 80 percent (80%), or less of the county's median income. At least 51% of the funds expended for activities funded under this RLF shall be used on revolving activities (i.e., loans). No more than 25% of the program income funds received during the program year shall be expended for housing rehabilitation grants. No more than 12% of the funds expended from this RLF shall be used for activity delivery costs. No more than 18% of the amount expended annually may be expended for general administrative costs related to this RLF activity. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49% of the total funds expended during the program year (July 1 through June 30).

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

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

Program income may be allocated to grant activities or to grant applications, including cash match for planning grants.

Business Expansion and Retention RLF. 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% or less than the county's median household income, adjusted for household size. At least 51% of the funds expended for activities funded under this RLF shall be used on revolving activities (i.e., loans). No more than 25% of the program income funds received during the program year shall be expended for grants for public infrastructure improvements that are needed to accommodate a specific business expansion or retention project. No more than 10% of the total funds expended for business assistance activities shall be used for activity delivery costs. No more than eighteen percent (18%) of the amount expended annually may be expended for general administrative costs related to this RLF activity. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49% of the total funds expended during the program year (July 1 through June 30).

If the activities funded under the RLF are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLF shall be 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 RLF shall be conducted under the federal underwriting guidelines specified at 24 CFR 570.482 (e) that have been adopted by the County and incorporated in the RLF's 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 RLF 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 requirement 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 RLF shall be made for activities that are located within the County's jurisdiction.

When available, a minimum balance of \$100,000 will be maintained in the revolving loan fund for economic development loans. The balance of program income will be disbursed into the housing rehabilitation revolving loan funds to make housing rehabilitation loans available to eligible applicants throughout the unincorporated part of El Dorado County.

Housing Acquisition: Homebuyer Assistance programs may assist income-eligible homebuyers to purchase new or existing homes, and may include any necessary rehabilitation. A new home is defined as a unit, which at the time of application/sales contract has a foundation in place. The County proposes to provide housing acquisition allowing TIG households “gap” financing to purchase affordable housing in the jurisdiction. First time homebuyers program will consist of “silent” second (2nd) mortgages not to exceed \$100,000 per unit.

This fund will be principally used for the purpose of making loans to income-eligible first time homebuyers to purchase new or existing homes, that have an annual income, which is 80 percent (80%), or less of the county’s median income. At least 51% of the funds expended for activities funded under this RLF shall be used on revolving activities (i.e., loans). No more than 8% of the funds expended from this RLF shall be used for activity delivery costs. No more than 18% of the amount expended annually may be expended for general administrative costs related to this RLF activity. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49% of the total funds expended during the program year (July 1 through June 30).

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

Reporting and Federal Overlay Compliance: The County shall comply with all State CDBG reporting requirements, including submittal of an annual Grantee Performance Report for each Revolving Loan Account (RLA) and submittal of the required Quarterly and Annual Program Income Reports, which show combined receipts and actual expenditures from all RLAs on one report (due by August 15). The County shall ensure that the use of program income under the Reuse Plan complies with all CDBG program requirements, including citizen participation, environmental review, equal opportunity, Section 3 employment, lead-based paint, labor standards, procurement and property management, and maintenance of adequate accounting and recordkeeping systems. To ensure ongoing compliance with CDBG requirements, the County shall utilize the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and policies. The County shall obtain the Department’s written approval before proceeding with any program income funded activity.

Revising this Plan: The County Board of Supervisors has the authority to amend this document with a properly noticed Board meeting and approval by the State Department of Housing and Community Development (HCD).

CERTIFICATION:

I, Doug Nowka, designated by the elected official of the County of El Dorado to oversee the use of CDBG program income received by the County, do hereby certify that the County complies with all State CDBG program requirements related to the proper use of program income, required reporting of program income, and accurate record keeping that tracks the receipt and expenditure of program income.

Signed:

Dated:
