

City of Colfax  
**PROGRAM INCOME REUSE PLAN**  
Version: September 30, 2010

The purpose of this plan is to establish 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 (CDBG).

**Need for Plan Governing Reuse of Program Income:**

This Reuse 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 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 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 (RLA); 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 subrecipient.

If the total amount of income generated from the use of CDBG funds (and retained by the City) 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. However, Quarterly and Annual Program Income Reports must be submitted regardless of whether the \$25,000 threshold is reached or not.

**Portfolio Management Costs:**

Costs of managing the portfolio of CDBG and HOME-funded loans may be charged to PI under general administration or activity delivery within the allowable limits set by HCD.

**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 may only be used in the following scenarios:

- 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);
- c. Distributed to one or more RLAs according to this Program Income Reuse Plan after adoption of the plan by the City jurisdiction and approval by the Department; and
- d. Disbursed for a CDBG eligible activity, not related to an open grant activity and/or an RLA. This process is completed only by a special request to, and approval from, the CDBG Program. A properly noticed public hearing in front of the City Council and submission of a resolution, as part of a Program Income Funded Project Waiver Request to the CDBG Program is required. This special request and approval process is more fully described in Management Memorandum 10-03. Final commitment and expenditure of Program Income Funds will not commence until clearance of all required Special Conditions given to the City have been met, and formal written approval issued from the CDBG Program has been received.

### **Revising The Plan (Council Approval & Citizen Participation):**

The City Council has the authority to approve and amend this document with a properly noticed Council meeting and approval by the Department. Noticing will be compliance with the City's citizen participation process as specified in Federal Regulations at 24 CFR 570.486, Local Government Requirements.

The City reserves the option of utilizing program income to fund/augment a CDBG funded activity included in a grant agreement. In order to exercise this option the City must first follow the citizen participation process, hold a public hearing, obtain a governing body resolution, and obtain approval from the State CDBG Program. The City will consult the Citizen Participation chapter from the most current CDBG Grant Management Manual for specific direction in this matter.

Note: The transfer of program income between RLAs and to grant-funded activities during the program year in the aggregate amount of \$5,000 or less will not be subject to the citizen participation requirement to hold a properly noticed public hearing.

### **Planning Activities:**

The City reserves the option of utilizing program income within the 18 percent general administration annual cap to fund planning for CDBG-eligible activities. Such planning activities may include: cash match for a State CDBG Planning and Technical Assistance Grant; 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. The costs of such planning activities may be charged to an RLA if the planning is for the same activity as the RLA. Otherwise, PI may only be expended on planning activities in conjunction with an open CDBG Planning and Technical Assistance grant.

**Distribution for Reuse of Program Income:**

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

The City has established three revolving loan accounts (RLAs) to utilize the program income.

These RLAs for the following programs:

- Housing Rehabilitation Program,
- Microenterprise Assistance Program, and the
- Business Assistance Program.

The allocations to these RLAs are as follows:

- All loan repayments that originate from an RLA will be deposited back into that same RLA (i.e., repayments from the Housing Rehabilitation RLA will be deposited back into the Housing Rehabilitation RLA, etc.)

**Reporting and Federal Overlay Compliance:**

The City shall comply with all State CDBG reporting requirements, including submittal of a single annual Grantee Performance Report that reports on all of the City's RLAs, and the required Quarterly and Annual Program Income Reports, which shows combined PI receipts and actual PI expenditures for all RLAs and grants on one report.

The City shall ensure that the use of program income under this Reuse Plan complies with all CDBG program requirements, including citizen participation, environmental review, equal opportunity, Section 3 employment, lead-based paint, labor standards, acquisition and relocation, procurement, property management, and maintenance of adequate accounting and recordkeeping systems.

To ensure ongoing compliance with CDBG requirements, the City shall utilize the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and policies. The City 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 the typical cost of a single RLA project, plus reasonable general administration and activity delivery amounts

**Revolving Loan Accounts:** The purposes and allowed uses of funds under the City's RLAs are, as follows:

- **Housing Rehabilitation Program Revolving Loan Account**  
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 or less of the county's median income.

This RLA will serve residents of the City as follows:

- If this RLA activity is for the same activity and area as an open grant activity, then the RLA funds will be expended prior to expending the open grant activities.
- In the event there are funds available from an open CDBG grant for Housing Rehabilitation, the RLA will only serve homes outside any target area identified in the grant application.
- If there are no open grant funds available, then this RLA will serve any home within the City limits.

At least 51% 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 49% percent of the program income funds actually expended during the program year under this RLA shall be expended for housing rehabilitation *grants* or other non revolving activity. No more than 19 percent of the funds expended from this RLA shall be used for activity delivery costs. No more than eighteen percent of the total amount of PI expended annually may be expended for general administrative 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 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 (Attachment A: City of Colfax Housing Rehabilitation Guidelines). All assistance provided for activities under this RLA shall be made for activities that are located within the City'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.

- **Microenterprise Assistance Program RLA**

This fund will be used to provide financing for businesses (or start ups) that can document the need for CDBG assistance and that meet the definitions of a CDBG Microenterprise business. A microenterprise business is a business that has five or fewer employees (including the owners), and the owners are determined to be low income, i.e, coming from a household with an annual income that is 80 percent or less than the county's median household income, adjusted for size.

This RLA will serve residents of the City as follows:

- If this RLA activity is for the same activity and area as an open grant activity, then the RLA funds will be expended prior to expending the open grant activities.
- In the event there are funds available from an open CDBG grant for Microenterprise Assistance, the RLA will only serve businesses located outside any target area identified in the grant application.

- If there are no open grant funds available for Microenterprise Assistance, then this RLA will serve any business located within the City limits.

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 49% percent of the program income funds expended during the program year under this RLA shall be for grants or other non revolving activity. No more than 15 percent of the total funds expended for microenterprise assistance activities shall be used for activity delivery costs. No more than eighteen percent of the total amount of PI actually expended annually may be expended for general administrative 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 adopted Microenterprise Revolving Loan Fund Program Guidelines (Attachment B: City of Colfax Microenterprise Assistance Program Guidelines ) 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. 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 provisions indicated in Section 570.482(f). All assistance provided to activities under this RLA shall be made for activities that are located within the City's jurisdiction.

- **Business Assistance Program RLA**

This fund will be used to provide financing for businesses that can document the need for CDBG assistance and that will create or retain qualifying permanent full time equivalent positions that will be principally filled by members of households which have an annual income that is 80 percent or less than the county's median household income, adjusted for size.

This RLA will serve residents of the City as follows:

- If the RLA activity is for the same activity and area as an open grant activity, then the RLA funds will be expended prior to expending the open grant activities.
- In the event there are funds available from an open CDBG grant for Business Assistance, the RLA will only serve businesses located outside any target area identified in the grant application.
- If there are no open grant funds available for Business Assistance, then this RLA will serve any business located within the City limits.

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 49% percent of the program income funds expended during the program year under this RLA shall be for grants to businesses, public infrastructure improvements that are needed to accommodate a specific business expansion or retention project, or other non revolving activity. No more than 15 percent of the total funds expended for business assistance activities shall be used for activity delivery costs. No more than eighteen percent of the total amount of PI actually expended annually may be expended for general administrative 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 adopted Business Revolving Loan Fund Program Guidelines (Attachment C: City of Colfax Business Assistance Program Guidelines ) 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 jurisdiction.

# City of Colfax

Resolution No. 11 – 2011

## A RESOLUTION APPROVING THE REVISED BALANCES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM INCOME REVOLVING LOAN ACCOUNTS (RLA)

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Whereas the State CDBG Program allows the City to retain and reuse CDBG loan fund repayments (Program Income) through the implementation of a Program Income Reuse Plan, and

Whereas, Program Income may be held in RLAs, which are then used for specified purposes indicated in the Reuse Plan; and

Whereas, RLA funds may be transferred among RLAs, or pulled out of (and returned to) RLAs to meet City community development needs, and

**NOW THEREFORE, BE IT RESOLVED** by the City Council of the City of Colfax:

### SECTION 1:

The City Council has reviewed and hereby approves the adjusted RLA balances as follows:

<b>RLA Programs</b>	<b>Account Balance</b>
Housing Rehabilitation	\$ 124,626.70
Microenterprise Assistance	\$ 7,193.29
Business Assistance	\$ 90,000.00
<b>Total</b>	<b>\$ 221,819.99</b>

### SECTION 2:

The City has determined that federal Citizen Participation requirements were met during the development of this application.

**Passed and Adopted this 12th day of January 2011 by the following roll call vote:**

AYES: Council members Harvey, Roberts, Alpine and Mayor Delfino  
NOES: None  
ABSENT: Barkle

  
Kenneth A. Delfino, Mayor

**ATTEST:**

  
Karen Pierce, City Clerk