

CITY OF LEMOORE
PROGRAM INCOME REUSE PLAN FOR
COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) FUNDS

Adopted: _____

The City of Lemoore hereby establishes this update to the Program Income Reuse Plan (Plan) following a properly noticed Community Development Block Grant (CDBG) Citizen Participation public hearing. This update supersedes previous versions and provides guidelines on the policies and procedures for the administration and utilization of program income received as a result of activities funded under the State CDBG Program.

Need for Plan Governing Reuse of Program Income. This Reuse Plan is intended to satisfy the requirements specified in Federal statute and regulation within 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 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 the 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 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 the State of California Department of Housing and Community Development (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 must be: a) disbursed for an activity funded under an open grant prior to drawing down additional federal funds; b) forwarded to HCD; or c) distributed to one or more Revolving Loan Accounts according to this Program Income Reuse Plan after adoption of the Plan by the City and approval by HCD.

The City of Lemoore reserves to itself the options 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 Council resolution, and obtain approval from the State CDBG Program.

Planning Activities. The City of Lemoore 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, program income 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 of Lemoore's program income that has not been committed to open grant activities will be distributed between two Revolving Loan Accounts (RLAs), as follows:

1. All repayments received from housing program loans will be deposited into the Housing Rehabilitation Revolving Loan Account.
2. All repayments received from business program loans will be deposited into the Business Expansion and Retention Revolving Loan Account.

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

If the activities funded under the RLAs are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in these RLAs shall be expended prior to drawing down funds from the State CDBG Program/HCD.

All assistance provided to activities under these RLAs shall be made for activities that are located within the City Limits, unless otherwise determined in a properly noticed Lemoore City Council meeting.

Reporting, Federal Overlay and State Compliance. The City of Lemoore shall comply with all State CDBG reporting requirements, including submittal of a single annual Grantee Performance Report that reports on each RLA and the required Quarterly and Annual Program Income Reports, which shows combined program income (PI) receipts and actual PI expenditures for all RLAs and grants on one report. These reports shall be completed and submitted pursuant to the scheduled dates published in Chapter 10 of the CDBG Grant Management Manual. The City of Lemoore shall ensure

that the use of program income under this Reuse Plan complies with all federal overlay and state requirements, including citizen participation, environmental review under NEPA, equal opportunity, Section 3 employment, lead-based paint, labor standards, acquisition and relocation, procurement, property management, and maintenance of adequate accounting and record keeping 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 costs (up to 18 percent of total expended costs).

Revising this Plan. The Lemoore City Council has the authority to amend this document with a properly noticed City Council meeting and approval by HCD.

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

- 1. Housing Rehabilitation Revolving Loan Account (RLA):** 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 median income of Kings County.

The program income received in the Housing Rehabilitation RLA will be distributed under the following parameters each program year (July 1 thru June 30):

- A minimum of 51% of the funds will be used on revolving loan activities. Forgivable loans do not qualify.
- No more than 19% of the funds will be used for activity delivery costs.
- No more than 18% of the amount expended may be expended for general administrative costs related to the RLA activity.
- The total amount expended for all non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49%.

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the Housing Rehabilitation Program Guidelines adopted by the City.

- 2. 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 to be principally filled by members of households which have an annual income that is 80 percent or less than the Kings County median household income, adjusted for size.

The program income received in the Business Expansion and Retention RLA will be distributed under the following parameters each program year (July 1 thru June 30):

- A minimum of 51% of the funds will be used on revolving loan activities. Forgivable loans do not qualify.
- No more that 10% of the funds will be used for activity delivery costs.
- No more than 18% of the amount expended may be expended for general administrative costs related to the RLA activity.
- The total amount expended for all non-revolving activities (grants, activity delivery costs, and general administration) shall not exceed 49%.

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 Business Expansion and Retention Program Guidelines, adopted by the City. 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.

Passed and adopted at a Regular Meeting of the City Council of the City of Lemoore held on the 19th day of December 2006 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

APPROVED:

John F. Murray
Mayor

PUBLIC AGENCY ACKNOWLEDEMENT

STATE OF CALIFORNIA)
COUNTY OF KINGS) ss.
CITY OF LEMOORE)

On _____ before me, Nanci C. O. Lima, City Clerk, personally appeared John F. Murray, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Nanci C. O. Lima
City Clerk