Attachment B

PROGRAM INCOME REUSE PLAN

SANTA BARBARA COUNTY

A Reuse Plan Governing Program Income From CDBG-Assisted Activities

Adopted by the Board of Supervisors on November 8, 2005

Deleted: _______

The purpose of the 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 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) 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 subrecipient.

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 polices and procedures. However, Quarterly and Annual Program Income Reports must be submitted regardless of whether the $25,000 threshold is reached or not.

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.

Activity Delivery Cost Limitation. Of the total program income expended on all activities, a certain percentage can be used during a single program year for activity delivery costs, depending on the activity. The percentages for activities are as follows:

- Up to nineteen (19%) percent on housing rehabilitation activities,
- Up to eight (8%) percent public services and housing acquisition and a
- Minimum of eight percent (8%) for community facilities and public works may be used for CDBG activity delivery expenses. This percentage may be higher depending on the degree of difficulty in administering State prevailing wages.

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 the 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 County reserves the options of utilizing program income to fund/augment a CDBG-eligible activity that is included in a CDBG Program grant agreement. In either case, the County must first follow the citizen participation process and obtain approval from the State CDBG Program.

Planning Activities. The County 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 (written or amended into) an open CDBG grant.

Distribution For Reuse of Program Income. The County's program income will be distributed, as follows:

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

The allocations to the RLAs are as follows:

a) One Hundred percent (100 percent) of all program income obtained from CDBG General Allocation grants and activities will be deposited into the Housing Revolving Loan Accounts.

b) One Hundred percent (100 percent) of all program income obtained from CDBG Economic Development grants and activities will be deposited into the Small Business Revolving Loan Account.

Funds shall not be transferred between RLAs 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. 100% program income generated as a result of RLA lending will be deposited back into the RLA from which the loan was made.

The purposes and allowed uses of funds under these Revolving Loan Accounts are, as follows:

A. HOUSING

1. Housing Rehabilitation RLA

This RLA will be 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 RLA shall be done so in the form of non-forgivable loans.

No more than thirteen percent (13%) of the program income funds expended during the program year under this RLA shall be expended for housing related grants. No more than 18 percent of the funds expended from this RLA shall be used for activity delivery costs. No more than eighteen percent (18 percent) of the total amount of PI expended annually may be expended for general administrative costs related to this RLA activity (optional, see page 1). 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).

2. Homebuyers Assistance Program (HAP) RLA

This RLA will supplement this existing County HAP program, which is the County's first time homebuyers program. The funding will be applied towards the administration and loan pool of the program. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration, as well as other non-housing rehabilitation CDBG eligible activities as mentioned in the County's Consolidated Plan) shall not exceed 49% of the total funds expended during the program year (July 1 through June 30). At least 51% of the funds expended for activities funded under this RLA shall be done so in the form of non-forgivable loans.

3. Move-in Costs Program RLA

The RLA will fund a program specifically designed to assist persons with disabilities move into a rental unit. The program will provide financial assistance to the renter to help cover any costs that may be associated with moving into the rental unit. Some of the eligible costs include security deposit, first/last months rent, deposit for utilities, and other move in expenses. The funds will be recaptured when the tenant vacates the unit. In any event, the total expended for non-revolving activities (grants, activity delivery costs, and general administration, as well as other non-housing rehabilitation CDBG eligible activities as mentioned in the County's Consolidated Plan) shall not exceed 49% of the total funds expended during the program year (July 1 through June 30). At least 51% of the funds expended for activities funded under this RLA shall be done so in the form of non-forgivable loans.

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

B. ECONOMIC DEVELOPMENT

1. Small Business 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 county's median household income, adjusted for size. 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 21 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 10 percent of the total funds expended for business assistance activities shall be used for activity delivery costs. No more than eighteen percent (18 percent) of the total amount pf PI expended annually may be expended for general administrative costs related to this RLA activity. 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 RLAs listed above in both Housing and Economic Development 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.

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 RLA and submittal of the required Quarterly and Annual Program Income Reports, which shows combined receipts from all RLAs on one report (due by August 15). The County 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, lead-based paint, labor standards, *Section 3, acquisition, relocation*, 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 polices. The County 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 administration costs (up to 18 percent of total expended costs). ***For example, if your average Housing Rehabilitation PI loan cost is $58,000, the balance of your Housing Rehabilitation RLA should not typically exceed this amount.***

Revising this plan. The 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) to amend an open grant.