



TOWN OF MANSFIELD POLICY MEMORANDUM

To: All Citizens & Town Employees
From: Matthew Hart, Town Manager
Date: May 9, 2011
Subject: Reuse Plan Governing Program Income from CDBG-Assisted Activities

I. Purpose

The purpose of this 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.

II. Introduction

The Town of Mansfield's Housing Rehabilitation Program will produce Program Income as a result of liens placed on the property of residential rehab projects.

Financial assistance is offered in the form of no-interest loans. Low-income eligible applicants will receive a loan that is one hundred percent (100%) deferred until the property transfers ownership. The no-interest loan amount is secured by a lien filed with the Town Clerk.

All Program Income generated from this project will be used for additional housing rehabilitation projects within the community except as noted in Section VI of this plan. This activity is an eligible activity under 24 CFR 570.208 (a) (1), and meets national objective 24 CFR 570.483 (b) (1), activities benefiting low to moderate income persons.

III. 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 Connecticut'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.

IV. 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 subrecipient.

If the total amount of income (from all sources) generated from the use of CDBG funds (and retained by the Town) 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 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.

V. General Administration (GA) Cost Limitation.

Up to 16 percent of the total PI expended during a PY may be used for CDBG general administration (GA) expenses. Total administration and program soft costs (Housing Rehabilitation activities) cannot exceed 25 percent.

Total administration and program soft costs (all activities except for housing rehabilitation) cannot exceed 21 percent.

VI. 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 \$50,000 or less); b) forwarded to the State of Connecticut, Department of Economic and Community Development (Department); c) with DECD's permission, apply to a future grant or (d) distributed according to this Program Income Plan that has been approved by the Department. The 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 be used for Housing Rehabilitation.

The Town reserves the options to: 1) utilize program income to fund/augment a CDBG funded activity (that is different from the activity that generated the PI) included in a grant agreement and 2) to utilize program income to fund other CDBG eligible project activities through the use of program amendments. The 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.

A. Planning Activities. The Town reserves the option of utilizing program income, within the 16 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. 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 existing open CDBG Planning grant.

B. Other CDBG Eligible Activities.

The Town reserves the option of utilizing program income to fund other CDBG eligible projects. Program Amendments are required in these instances. Examples include but are not limited to ADA improvements to Town facilities, removal of slum and blight on a spot basis, etc.

C. Distribution for Reuse of Program Income.

The Town's program income that has not been committed to an existing open grant or CDBG eligible activities noted in subsection A and B of this section will be distributed, as follows:

- One revolving loan accounts (RLAs) or PI account is currently established to utilize the Town's program income.

The allocations to the RLAs are as follows:

- 100 percent (100%) of all program income will be deposited into the Housing Rehabilitation Revolving Loan Account from which it was generated and will be used again for the same activity; Housing Rehabilitation.

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.

VII. Reporting and Federal Overlay Compliance.

The Town shall comply with all State CDBG reporting requirements, including submittal of a Quarterly GPR on all PI. The 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 and property management, and maintenance of adequate accounting and recordkeeping systems. To ensure ongoing compliance with CDBG requirements, the Town shall utilize the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and polices. The Town shall obtain the Department's written approval before proceeding with any PI-funded activity.

VIII. 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). It is the goal of the Town at any given time for the funding balance for either of the RLAs not to exceed \$50,000; exceptions to this include the receipt of unanticipated repayments that cause program income to exceed \$50,00, in which case eligible project(s) will be planned to expend the funds as soon as practicable.

IX. Revolving Loan Accounts.

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

A. Housing Rehabilitation 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 (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 51 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 up to 16 percent of the total PI expended during a PY may be used for CDBG general administration (GA) expenses. Total administration and program soft costs (Housing Rehabilitation activities) will not exceed 25 percent. 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 Town. All assistance provided to activities under this RLA shall be made for activities that are located within the Town's jurisdiction.

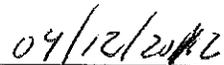
If the activities funded under the RLA are for the same activities as those funded under an open State CDBG grant agreement, then the funds available in this RLA shall be expended prior to drawing down funds from the State CDBG program.

X. Revising this Plan.

The Town has the authority to amend this document with a properly noticed Council/Board meeting and approval by the State Department of Economic & Community Development (DECD).



Matthew W. Hart, Town Manager



Date