

RESOLUTION NO. 3218-2008

RESOLUTION OF THE FORT BRAGG CITY COUNCIL ADOPTING THE 2008 PROGRAM INCOME REUSE PLAN

WHEREAS, the City of Fort Bragg receives Program Income Revenues from Community Development Block Grant (CDBG) funds which are loaned out either as business assistance loans or housing rehabilitation loans; and

WHEREAS, the City of Fort Bragg has been awarded funds from the CDBG 2007/2008 Economic Enterprise Fund to start a Microenterprise Loan Program which will generate future Program Income Revenues; and

WHEREAS, repayments of principle and interest on business assistance, housing rehabilitation, and microenterprise loans are deposited into the Program Income Fund and may only be spent in accordance with a Program Income Reuse Plan which has been approved by the State Department of Housing & Community Development (HCD); and

WHEREAS, the City Council last updated its Program Income Reuse Plan on March 27, 2006; and

WHEREAS, HCD has made minor updates to its recommended Program Income Reuse Plan language since the City's 2006 adoption; and

WHEREAS, the City's 2006 Program Income Reuse Plan must be modified to reflect these changes; and

WHEREAS, the City Council conducted a Public Hearing to solicit comments regarding these modifications to the City's Program Income Reuse Plan on October 14, 2008; and

WHEREAS, the Program Income Reuse Plan is amended as follows:

- Description of the Microenterprise Revolving Loan Fund is inserted;
- Program Income revenue allocation is updated to include distribution to the Microenterprise Revolving Loan Fund;
- Minor clarifications and re-ordering of paragraphs is included to reflect CDBG's updated format and language per the 2006 Grants Management Manual.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg does hereby adopt the 2008 Program Income Reuse Plan, a copy of which is attached hereto as Exhibit "A" to govern the expenditure of Program Income by the City of Fort Bragg.

The above and foregoing Resolution was introduced by Councilmember Gjerde, seconded by Councilmember Turner, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg held on the 14th day of October, 2008, by the following vote:

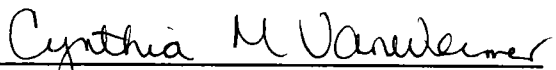
AYES: Councilmembers Turner, Courtney, Gjerde, Melo, and Mayor Hammerstrom.

NOES: None.

ABSENT: None.
ABSTAIN: None.


DOUG HAMMERSTROM,
Mayor

ATTEST:


Cynthia M. VanWormer, CMC
City Clerk

“Exhibit A”

CITY OF FORT BRAGG 2008 PROGRAM INCOME REUSE PLAN

A Reuse Plan Governing Program Income from CDBG-Assisted Activities

The purpose of this plan is to establish policy 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, 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 if the local government has received advance approval from the State of a local plan that will govern the expenditure of the program income. This Reuse 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 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; interest earned on funds that have been placed in a revolving loan fund; 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

Portfolio Management Costs. Costs of managing the portfolio of CDBG and HOME-funded loans may be charged to program income as general administration or activity delivery within the allowable limits set by HCD.

General Administration 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.

Reuse of Program Income. Program income must be used in one of the following ways: (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 (HCD); or (c) distributed to one or more Revolving Loan Funds according to this Program Income Reuse Plan, after adoption of the Plan by the City and by HCD. Adoption of this Plan requires compliance with the 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 and/or augment a CDBG-funded activity that is included in a CDBG program 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 HCD.

Planning Activities. The City reserves the option of utilizing program income, within the 18% general administration annual cap, to pay planning costs for CDBG-eligible activities. Such planning activities may include: cash match for a State CDBG Planning and Technical Assistance Grants; 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 planning activities may be charged to a Revolving Loan Fund (RLF) if the planning is for the same activity as the RLF. 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's Program Income that has not been committed to open grant activities will be distributed to a Housing Rehabilitation Revolving Loan Fund, a Business Assistance Revolving Loan Fund, and a Microenterprise Revolving Loan Fund. The distribution of program income revenues shall be split equally between the three RLFs.

Funds shall not be transferred between RLFs or to an open grant activity without conducting a properly noticed CDBG Citizen Participation public hearing. However, the transfer of program income between RLFs 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 RLFs, the City will consider revising the above distribution formula.

Reporting and Federal Overlay Requirements. 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 RLFs and the required Quarterly and Annual Program Income Reports, which show combined PI receipts and actual PI expenditures for all RLFs 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 on-going 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 will obtain written approval from the Department of Housing and Community Development before proceeding with any program income funded activity.

Maximum Funds in Revolving Loan Accounts. Program income received by the RLFs 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 any of the RLFs should not exceed the typical cost of a single RLF project, plus reasonable general administration and activity delivery amounts.

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

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

Housing Rehabilitation Revolving Loan Fund

This fund is for the purpose of making loans to rehabilitate residential units occupied by households which have an annual income that is eighty percent (80%) or less of the County's median income. 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 City. All assistance provided to activities under the RLF shall be made for activities that are within the City's jurisdiction.

At least fifty-one percent (51%) of the funds expended for the activity funded under this RLF during the program year shall be used on revolving activities (i.e. loans). A portion of program income funds actually expended during the program year under this RLF may be expended for grants per terms of the Housing Rehabilitation Program Guidelines. Activity Delivery costs may be expended from this RLF to the extent allowed per current CDBG guidelines (maximum of 19% per the CDBG 2006 Grants Management Manual). No more than eighteen percent (18%) 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 forty-nine percent (49%) of the total funds actually expended during the program year. If the activities funded under this 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.

Business Assistance Revolving Loan Fund.

This fund is for the purpose of providing "gap" financing for local 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 that have an annual income that is eighty percent (80%) or less than the County's median household income, adjusted for size. At least fifty one percent (51%) of the funds actually expended for the activity funded under this RLF during the program year shall be used on revolving activities (i.e. loans). Activity Delivery costs may be expended from this RLF to the extent allowed per current CDBG guidelines (maximum of 15% per the CDBG 2007 Economic Enterprise Fund application guidelines). No more than eighteen percent (18%) 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 forty-nine percent (49%) of the total funds expended during the program year.

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 loans under this RLF 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 Assistance Loan 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 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 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(es) benefiting from these improvements. All assistance provided under the RLF shall be made for activities that are located within the City's jurisdiction.

Microenterprise Revolving Loan Fund.

The intent of this fund is to provide "gap" financing in the form of loans of \$5,000 to \$15,000 for qualifying low or moderate income households who operate or start a business with five or fewer employees including the owner. Any person receiving assistance from this RLF must be a member of a household that has an annual income that is eighty percent (80%) of less than the County's median household income, adjusted for household size. At least fifty one percent (51%) of the funds actually expended for the activity funded under this RLF during the program year shall be used on revolving activities (i.e. loans). Activity Delivery costs may be expended from this RLF to the extent allowed per current CDBG guidelines (maximum of 15% per the CDBG 2007 Economic Enterprise Fund application guidelines). No more than eighteen percent (18%) 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 (activity delivery costs and general administration) shall not exceed forty-nine percent (49%) of the total funds expended during the program year.

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 loans under this RLF 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 RLF 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 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 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(es) benefiting from these improvements. All assistance provided under the RLF shall be made for activities that are located within the City's jurisdiction.

This Program Income Reuse Plan, duly considered and adopted by the City Council of the City of Fort Bragg on October 14, 2008, supersedes all previous Reuse Plans.