

## **RESOLUTION NO. 2950-2006**

### **RESOLUTION OF THE FORT BRAGG CITY COUNCIL ADOPTING THE 2006 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**, repayments of principal and interest on loans are accrued in 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 adopted a Program Income Reuse Plan on February 9, 2004, in accordance with HCD requirements; and

**WHEREAS**, HCD approved the 2004 Plan subject to minor corrections in wording in order to comply with HCD regulations; and

**WHEREAS**, the City's 2004 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 March 27, 2006; and

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

- A line stating that "Costs incurred that are incidental to the generation of program income may be deducted from the gross income to determine the program income account" is deleted; and
- With respect to Planning Activities, a reference stating that open grants may be amended to add Program Income is deleted.

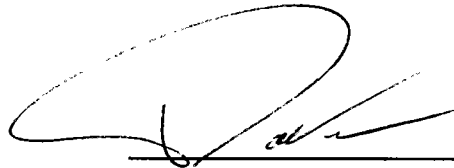
**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Fort Bragg does hereby adopt the 2006 Program Income Reuse Plan, a copy of which is attached hereto as Exhibit "A" to govern the expenditure of program income by the City of Fort Bragg.

**The above and foregoing Resolution was introduced by Councilmember Melo, seconded by Councilmember Baltierra, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg held on the 27<sup>th</sup> day of March, 2006, by the following vote:**

**AYES:** Councilmembers Gjerde, Baltierra, Hammerstrom, Melo, and Mayor Turner.


**NOES:** None.

**ABSENT: None.**  
**ABSTAIN: None.**

A handwritten signature in black ink, appearing to read 'Dave Turner', written over a horizontal line.

**DAVE TURNER,**  
**Mayor**

**ATTEST:**

  
Cynthia M. VanWormer  
**Cynthia M. VanWormer, CMC**  
**City Clerk**

## Exhibit "A"

### CITY OF FORT BRAGG 2006 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. Prior to adoption of the Reuse Plan by the City Council, Fort Bragg residents were provided an opportunity to comment on the Reuse Plan pursuant to the required citizen participation process per Federal Regulations at 24 CFR 570.486, Local Government Requirements.

**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, 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 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

**General Administration Cost Limitation.** Up to 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.** Pursuant to State CDBG regulations, 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 according to this Program Income Reuse Plan that is subject to approval by HCD.

The City'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 three national objectives are (1) benefiting (at least 51%) low and moderate income households/families; (2) eliminating or preventing a slum or blighted conditions, and (3) meeting an urgent need. 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 City reserves the options of using program income to fund and/or augment a CDBG-eligible activity that is included in a CDBG program grant agreement. In either case, the City must first follow the citizen participation process and obtain approval from HCD.

**Planning Activities.** The City reserves the option of utilizing program income, within the 18% 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 planning activities may be charged to a Revolving Loan Account (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.** Payments of principal and interest on all loans using CDBG funds will be returned to a Housing Rehabilitation Revolving Loan Account and a Business Assistance Revolving Loan Account. The distribution of program income revenues shall be split 50%/50% between these two RLAs. These RLAs will be administered in compliance with all State and federal overlay requirements attached to the CDBG program. The RLA funds shall substantially revolve, with no less than 51% of all program income expended in a fiscal year to be utilized for loans for the following purposes:

- ◆ Housing Rehabilitation Revolving Loan Account (RLA). This account 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 or less of the County's median income. 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. All assistance provided to activities under the RLA shall be made for activities that are within the City's jurisdiction.
- ◆ Business Assistance Revolving Loan Account (RLA). This account will be used for the purpose of making loans to local businesses to retain jobs or create additional jobs for members of the Targeted Income Group. The review and funding of requests for CDBG loans under this RLA shall be conducted in accordance with the Business Assistance Loan Program Guidelines that have

been adopted by the City. All assistance provided under the RLA shall be to businesses which are within the City's jurisdiction.

If the activities funded under the RLAs are for the same activities as those funded under an open State CDBG grant agreement, then the RLA funds shall be expended for this activity before drawing down funds under the open grant.

No more than 49% of funds expended under the RLAs during the fiscal year will be used for non-revolving purposes, including:

- Administrative and activity delivery functions to include reporting, tracking, marketing, administration, and packaging activities. These functions will not exceed 18% of the total program income expended for all combined program income activities in a fiscal year.

**Reporting and Federal Overlay Requirements.** The City shall comply with all State CDBG reporting requirements, including submittal of an annual Grantee Performance Report for each RLA and the required quarterly and annual Program Income Report forms that report on program revenue, program income expenditures, and program income account balances, including RLAs.

The City shall ensure that the use of program income under this Plan complies with all State and federal CDBG program requirements. These requirements include: citizen participation, environmental review under NEPA, labor standards, equal opportunity and Section 3, procurement, acquisition and relocation, accounting and record-keeping, and lead-based paint. Written approval from the Department of Housing and Community Development will be obtained before proceeding with each program income funded activity. To ensure continuous compliance with CDBG requirements, the City shall consult the latest available State CDBG Program Grant Management Manual for guidance on compliance procedures and policies.

Program income received during any fiscal year shall be substantially expended by the end of that fiscal year. The City shall not maintain a funding balance which exceeds the amount needed to fund a single project and its related administrative costs.

This Program Income Reuse Plan, duly considered and adopted by the City Council of the City of Fort Bragg on March 27, 2006, supersedes all previous reuse plans. The City Council has the authority to amend this document with a properly noticed hearing before the City Council and approval by HCD.