

Explanation of Form

The attached Program Income Plan model is designed to make its preparation as easy as possible. Therefore, under section one, a Grantee only has to list the eligible activities for which it wishes to use the program income. Typically, the Grantee must continue the same activity in the same project area that originally produced the program income.

If a Grantee plans to provide first-time homebuyers with assistance, the Program Income Plan must state that the assistance may only include up to 50% in down payment assistance, reasonable closing costs normally associated with the purchase of a home (including paying discount points to the lender), principal write-down assistance, subsidize interest rates, finance acquisition, and mortgage insurance.

Grantees should remember that program income cannot be used for any activity not listed without revising the Program Income Plan which can take time. Therefore, Grantees should list more eligible activities than it initially anticipates using in the immediate future.

In the second section, the Grantee must insert if its Housing Rehab Board is using a standard 10-year loan term period or one up to 15-years. A period of less than 10 years must be described in a DHCD-approved Project Management Plan.

In the third section, the Grantee must insert the County in which program income will be earned.

In the fourth section, the Grantee must calculate how much income will be earned for the next 10 years.

Sections five and six reflect current DHCD policies and guidelines. If a Grantee feels it cannot observe the language in these sections, it needs to contact its Community Development Specialist before submitting the Program Income Plan for review so the matter can be discussed.

The Plan should be adopted by the Grantee's local governing board prior to submission. Once DHCD concurrence is received, distribute copies to the Housing Rehab Board, Façade Rehab Board and/or Loan Review Committee and the Finance Manager. It must also be scanned in its entirety and as a single document and uploaded into "Reports and Communication" as an Ad Hoc *contract* document in CAMS. A copy of the Plan should also be placed in the Grantee's Grant Administration project file.

Virginia Community Development Block Grant Program Income Plan

Grantee: _____

Date: _____

Project Name: _____

Contract#: _____

OBJECTIVE: The expenditure of active and inactive program income generated from the CDBG (*Insert Name of Project*) in a manner that will directly benefit low- to moderate-income residents of the (Grantee's Name).

1. **ACTIVITIES:** Describe the ACTIVITIES that will be carried out with program income funds e.g., housing rehabilitation, microenterprise business loans, construction of industrial building, approximately 5,000 sq. ft. of sewer lines, etc. All activities must be eligible expenditures as described in the Grant Management Manual.

Active program income: Active income is income received as a result of program activities prior to administrative closeout of the CDBG Agreement. Active program income may be used for eligible project costs in excess of the Project Budget with the permission of DHCD. Active program income will be used for the same CDBG activities as approved in the CDBG Agreement. Active income on-hand at the end of the project will be used to reduce the final remittance or returned to DHCD.

Miscellaneous Revenue: Miscellaneous revenue is all revenue received in a 12-month reporting period (July 1 – June 30) of less than \$35,000 from an administratively closed project funded with CDBG monies. No amount of miscellaneous revenue received in the reporting period may be expended until after the period has ended and that fiscal year's report has been submitted to and approved DHCD. Grantees must retain the funds until it is authorized by DHCD to expend the proceeds locally. Miscellaneous revenue shall be used to continue the same eligible CDBG activities as long as LMI households in the project area have unmet needs. After all needs are met in the project area, inactive income will be used for the following purposes:

- a) Miscellaneous revenue may be used for actual administrative costs. *At the time the program income is expended*, 10 percent of the expended program income may be allocated for administrative purposes;
- b) Up to \$5 per loan per month as a service fee to offset the cost of loan collection; and

- c) Program income will be used only for applicants whose household incomes are at or below 80% of the County's median income.

Wells must be drilled, tested and approved. "Pump and haul" systems will not be installed. Revolving loan fund proceeds will be paid to contractors and suppliers only and made upon completion of work for paid labor and at the start of a project for materials.

Inactive Program Income: Inactive program income is all revenue received in a 12-month reporting period (July 1 – June 30) of $\geq \$35,000$ from an administratively closed project funded with CDBG monies. All inactive program income received in the 12-month reporting period will be held in reserve until after the reporting period has ended and that fiscal year's report has been submitted to and approved by DHCD. At the time the report is submitted, a specific work plan and budget may be submitted, outlining the proposed use of inactive program income. A timeline to expend all funds within twelve (12) months must be included. Inactive program income must be retained until the proposed use is authorized by DHCD.

2. TIME FRAME: Briefly outline the TIME FRAME during which the project will be carried out and completed.

Program income covered by this plan will be derived from direct 0% interest loan repayment over estimated average of _____ year period for all rehabilitation and substantial reconstruction projects.

3. PROJECT AREA: Identify the project area in which activities will be carried out. Indicate where inactive program income will be spent after all of the needs in the project area are met.

All projects funded with program income generated from the CDBG (*Insert Name of Project*) will be located within the project area until there is no more need. Thereafter, the projects will be located within the Town/City/County of _____.

4. FUNDS TO BE AVAILABLE:

- 1) Total Projected Program Income for Next 20 Years: \$_____ (including interest)
- 2) # of Years Until Payback Complete for Each Loan: _____
- 3) If Revolving Loan Program, # of Years Until Payback Complete: _____
- 4) Payback Schedule Total Principle and Interest:

Year 1 \$	Year 11 \$

Year 2 \$	Year 12 \$
Year 3 \$	Year 13 \$
Year 4 \$	Year 14 \$
Year 5 \$	Year 15 \$
Year 6 \$	Year 16 \$
Year 7 \$	Year 17 \$
Year 8 \$	Year 18 \$
Year 9 \$	Year 19 \$
Year 10 \$	Year 20 \$

5. **DECISION MAKING:** Briefly state who will decide on the use of the Program Income, how that decision will be made, and what oversight will be used to assure that this plan is followed.

The (*Insert Board's Name*) will decide on the use of program income, based upon the Program Design guidelines. The Board will receive regular financial reports showing all income earned and expended. The Board will approve and track all applications and contracts and ensure proper documentation of the usage of funds. Requests will be submitted to and reviewed by the Board at its monthly meetings. Majority vote will be required to approve the use of the funds. A list of the current Board members is attached.

6. **ADMINISTRATION:** Briefly state who will manage the Program Income funds, who will implement the activities and how the activities will be carried out.

The (*Insert Board's Name*) will be responsible for receiving direct loan payments. The funds will be deposited in an interest-bearing escrow account and identified as revenue or expenditure. Funds will be accounted for separately on the (*Insert Grantee's Name*) balance sheet. Any lump sum receipt of inactive program income of \$35,000 or more during a state fiscal year (July 1 – June 30) will be reported to DHCD at the time it is received and transmitted to DHCD within 60 days.

Records will be kept on a twelve-month contract year basis. Records will show the amounts due and received monthly by client's name, separated by active/inactive and by contract number, and the income expended annually. Copies of source documentation will be placed in the appropriate client file.

The (*Insert Board's Name*) will implement the activities in accordance with the Project Management Plan, the Program Design and the Grant Management Manual.

The VA Procurement Act will be followed. The (*Insert Board's Name*) will ensure compliance.

I certify that this is the plan of this locality for use of income derived from the Community Development Block Grant Program after the current contract expires. I further certify that the Board fully intends to carry out this plan, to oversee its implementation and assures that no other use of these funds will be allowed. I certify that this locality will budget program income funds in a separate, distinct account and will maintain records documenting the use of those under the *Home Investment Partnerships Act*, as amended and Title I of the *Housing and Community Development Act of 1974*, as amended. I understand that the Virginia Department of Housing and Community Development may review the receipt and expenditure of program income funds.

Signature of Authorized Official

Date

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