Appendix
Section 4

Program Income Planning Tools
Planning Tools by Activity Type

The following are three planning tools for local governments pursuing use or re-purposing of program income based on activity type. Each tool provides a basic framework, details are found within the relevant sections of the CDBG Manual. Address your specific questions to your DED CDBG Program Representative.

Reuse Plan for Community Development Activities

The following outline is a planning tool for local governments pursuing use or re-purposing of program income for community development activities. This is effectively a one-time use of funds as there is no revolving loan component.

Part I: Type of Plan (Geographic area where funds can be used)

Projects must be located within community’s limits or zoning jurisdiction (“service area”).

Part II: Goals and Objectives of the Plan

A. National Objective Compliance: Local governments must document that each project meets the National Objective of benefit to low- and moderate-income (LMI) persons within the subcategories of:

1. Area Benefit (LMA). Beneficiaries must be LMI residents within the defined service area that is at least 51% LMI according to census or income survey data.
2. Limited Clientele (LMC). Beneficiaries must be those classified as LMC, see CDBG Manual for definition.

B. Local Objectives (examples). Based on the local needs assessment (formal or informal), identify priorities.

1. Example LMA objectives:
   a) To cost-share CDBG-eligible priorities identified within the local capital improvement plan, including public infrastructure and facilities.
   b) To conduct feasibility, special studies, or other such planning studies. See the CDBG Planning Application Guidelines for eligible examples.
2. Example LMC objectives:
   a) Removal of architectural barriers in public facilities, including outdoor public spaces, sidewalks, and municipal buildings.
   b) Improvements or new construction of senior centers.
   c) Improvements or new construction of daycare centers.
   d) Improvements or new construction of homeless facilities.

Part III: Elements of the Plan

A. Eligible Activities (examples): public infrastructure (e.g., streets, roads, water wells, storage and distribution systems, storm sewers, sanitary sewer and treatment systems), public facilities, daycare centers, etc.

B. Guidelines for Assistance:

   a) Minimum and maximum dollar amounts
   b) Matching funds requirements, if applicable and as determined by the local government
NOTE: if the local unit of government is funding public infrastructure and/or facilities, this section may be limited to items “a” through “b”. If providing assistance to a non-profit (e.g., offering grants to daycare centers or medical clinics), the reuse plan must include these additional items:

- Types of assistance
- Terms of assistance (must comply with change in use requirements)
- Amounts of assistance

**Part IV: Administration of the Plan (Describe operating procedures)**

Implementation of plan requires a certified administrator. See Chapter 8 for more information, including maximum allowable costs associated with general administration and, where applicable, supporting project costs.

A. Administration procedures, i.e., identify internal controls for payment to vendors.

B. Recordkeeping and reporting procedures, i.e., identify who is responsible for reporting required semi-annual reporting to DED.

C. CDBG compliance process (e.g., procurement, environmental review, DBRA, civil rights, etc.).

1. How are contractors selected, agreements signed between the selected contractor(s) and local government, and payments approved and disbursed to those contractor(s)?
2. Who is responsible for monitoring requirements?
3. Who is responsible for CDBG compliance process (e.g., procurement, environmental review, civil rights, etc.)?

D. Amendment procedures (must include provision for DED approval).

E. Verification of the plan’s approval by the local government and DED (see part V).

**Part V: Reporting to DED**

Where a new or existing RLF account is being tapped for community development activities, DED must approve of the plan prior to implementation. Use of CDBG program income requires progress reporting on the proposed and actual beneficiaries. Be sure to identify the principal local contact for matters related to program income; typically, this person is responsible for submitting:

- Semi-annual Program Income reports,
- Annual public benefits report,
- Notification of Annual Audit, etc.

**Reuse Plan for Economic Development Activities**

The following outline is a planning tool for local governments pursuing use or re-purposing of program income for economic development activities. See the CDBG Economic Development Application Guidelines for definitions of terms.

**Part I: Type of Plan (Geographic area where funds can be used)**

Projects must be located within community’s limits or zoning jurisdiction (“service area”).
Part II: Goals and Objectives of the Plan

A. National Objective Compliance: Local governments must document that each project meets the National Objective of benefit to low- and moderate-income (LMI) persons within the subcategories of:

1. **Job Creation/Retention (LMJ).** At least 51% of the jobs created or retained must be held by or available to LMI persons.

2. **Area Benefit (LMA).** Beneficiary must be a for-profit business that provides essential goods and services to LMI residents within the defined service area that is at least 51% LMI according to census or income survey data.

3. **Limited Clientele (LMC).** Beneficiaries must be those classified as LMC, see CDBG Manual for definition.

B. Local Objectives (examples)

1. Example LMJ objectives:
   a) To provide financing for start-up and existing businesses that cannot obtain conventional financing or to attract new business to the community.
   b) To create and retain jobs principally for low-moderate income persons.
   c) To diversify the local economy by assisting businesses which are not presently in the community.
   d) To promote entrepreneurship and new business development.
   e) To stop “leakage” of dollars from leaving the community.
   f) To provide necessary public infrastructure to businesses.
   g) To assist businesses with job training cost for new employees or to upgrade skills of existing employees.

2. Example LMA objectives:
   a) To provide financing for start-up and existing businesses that provide essential goods and services, including succession of ownership and/or management.
   b) To promote entrepreneurship and new business development to for-profit businesses that provide essential goods and services.
   c) To provide financing for improvements addressing ADA-accessibility where the proposed property for improvements is owned by an eligible business. Under LMA, an eligible business is one that provides essential goods or services.

Part III: Elements of the Plan

Several options are described below; give careful consideration when determining capacity to operate. For example, some eligible activities and types of assistance are challenging in terms of compliance with CDBG regulations. Local government are responsible for compliance.

A. **Eligible Businesses** (examples): Industrial, manufacturing, food processing, agricultural processing, commercial, service, telecommunication, transportation, retail, tourism, etc. Non-profit businesses are not eligible.

B. **Eligible Activities** (examples): Acquisition of real estate, land and buildings, fixed assets, machinery and equipment, renovations, remodeling, site preparation, working capital, public infrastructure that benefits an
eligible business (e.g., streets, roads, water wells, storage and distribution systems, storm sewers, sanitary sewer and treatment systems), and job training costs, etc.

C. Types of Assistance (examples): Grants; direct loans; deferred loans; performance-based, forgivable loans; loan guarantees; etc.

D. Guidelines for Assistance (examples):
   1. Minimum or maximum dollar amounts
   2. What percentage of total project cost will community finance?
   3. What percentage of equity injections is required from owners or business?
   4. Interest rate of loans
   5. Loan terms (must not exceed useful life of assets financed); the following are recommended term limits by type:
      a) Working capital 1-3 years,
      b) Machinery and equipment 3-7 years,
      c) Land and buildings up to 15 years.

Part IV: Administration of the Plan (Describe operating procedures)

RLF accounts require a certified administrator. See Chapter 8 for more information, including maximum allowable costs associated with general administration and, where applicable, supporting project costs.

A. Application Process
   1. Where can businesses get an application?
   2. Who is on the application review committee?
   3. Who makes the final determination on an application (e.g., review committee, village or county board, city council, etc.)?

B. Project Implementation, Loan Closing, and Project Monitoring
   1. Who prepares the legal documents and security instruments (e.g., loan agreements, promissory notes, guarantees, contracts, deed of trust, mortgage, financing statement, U.C.C. form, etc.)?
   2. How are funds disbursed to the business?
   3. Who is responsible for loan servicing and monitoring job creation/retention requirements?
   4. Who is responsible for CDBG compliance such as the environmental review for each project and Labor Standards-Davis Bacon compliance if applicable?

C. Describe amendment procedures (must include provision for DED approval of any changes to the plan/program guidelines).

D. Verification of the plan’s approval by the local government and DED.

Part V: Reporting to DED

Use of CDBG program income requires progress reporting on the proposed and actual beneficiaries. Be sure to identify the principal local contact for matters related to program income; typically, this person is responsible for submitting:

- Semi-annual Program Income reports,
- Annual public benefits report,
- Notification of Annual Audit, etc.
Reuse Plan for Housing Activities

The following outline is a planning tool for local governments pursuing use or re-purposing of program income for housing activities. See the CDBG Owner Occupied Rehabilitation Application Guidelines for definitions of terms.

**Part I: Type of Plan (Geographic area where funds can be used)**

Projects must be located within community’s limits or zoning jurisdiction (“service area”).

**Part II: Goals and Objectives of the Plan**

A. National Objective Compliance: Local governments must document that each project meets the National Objective of benefit to low- and moderate-income (LMI) persons within the subcategory of Housing (LMH). Beneficiaries must be those classified as LMI, see CDBG Manual for definition.

B. Local Objectives, example LMH objectives:

1. Provide decent housing
2. Provide a suitable living environment
3. Expand economic opportunity
4. Improve availability/accessibility
5. Improve affordability
6. Improve sustainability

**Part III: Elements of the Plan**

Several options are described below; give careful consideration when determining capacity to operate. For example, some eligible activities and types of assistance are challenging in terms of compliance with CDBG regulations. Local government are responsible for compliance.

A. Eligible Applicants: Homeowners and Homebuyers at 80% AMI or less.

B. Eligible Activities:

1. Owner Occupied Rehabilitation.
2. Homeownership Assistance, which may include one or more of the following:
   a) Down Payment Assistance (maximum 50% of required);
   b) Closing Costs;
   c) Mortgage Insurance; etc.

C. Types of Assistance (examples): Grants, direct loans, deferred loans, or forgivable loans.

D. Guidelines for Assistance (examples):

1. Minimum or maximum dollar amounts;
2. Affordability Period (minimum of five (5) years) and methods of ensuring compliance thereof;
3. Interest rate of loans;
4. Loan terms;
5. Standards for assistance; etc.
**Part IV: Administration of the Plan (Describe operating procedures)**

RLF accounts require a certified administrator. See Chapter 8 for more information, including maximum allowable costs associated with general administration and, where applicable, supporting project costs.

A. Application Process/Selection Criteria
   1. Where can a homeowner get an application?
   2. Who makes the final determination on an application (e.g., review committee, village or county board, city council, etc.)?
   3. Is there a priority ranking system? (If applicable, such ranking system cannot contain discriminatory criteria.)
   4. What is the notification process for approval, notice to proceed, acceptance of work, etc.?

B. Project Implementation and Monitoring
   1. Who prepares the legal documents and security instruments (e.g., loan agreements, promissory notes, guarantees, contracts, deed of trust, mortgage, financing statement, etc.)?
   2. How are contractors selected, agreements signed between the selected contractor(s) and homeowner(s), and payments approved and disbursed to those contractor(s)?
   3. Who is responsible for loan servicing and monitoring requirements under the program?
   4. Who is responsible for CDBG compliance process (e.g., procurement, environmental review, civil rights, etc.)?
   5. Who is responsible for recordkeeping?

C. Describe amendment procedures (must include provision for DED approval of any changes to the plan/program guidelines).

D. Verification of the plan’s approval by the local government and DED.

**Part V: Reporting to DED**

Use of CDBG program income requires progress reporting on the proposed and actual beneficiaries. Be sure to identify the principal local contact for matters related to program income; typically, this person is responsible for submitting:

- Semi-annual Program Income reports,
- Annual public benefits report,
- Notification of Annual Audit, etc.