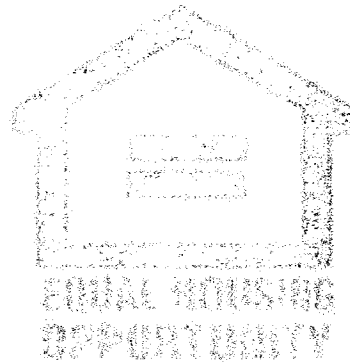




City of St. Marys, PA
Office of Community and Economic Development

COPY

PROGRAM INCOME
and
NON-PROGRAM INCOME
REUSE PLAN





PROGRAM INCOME and NON-PROGRAM INCOME REUSE PLAN

The purpose of this plan is to establish guidelines on the policies and procedures for the administration and utilization of Program Income AND Non-Program Income received as a result of activities funded under the State Community Development Block Grant Program (CDBG).

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 ("the Act"), as amended in 1992 and 24 CFR 570.489 (e) and 24 CFR 570.489 (e) (2). These statutory and regulatory sections permit a unit of local government to retain Program Income (PI) for CDBG-eligible community development activities as well as retain Non-Program Income (NPI) under \$35,000 received during one single calendar year January 1 – December 31 (not including Revolving Loan funds). Under federal guidelines adopted by the State of Pennsylvania's CDBG program, local governments are permitted to retain Program Income (PI), \$35,000 or above, 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 (PI). This plan has been developed to meet that requirement.

Program Income (PI) Defined: Program Income is defined in federal regulation at 24 CFR 570.489 (e) which specify that PI is the gross income received by the jurisdiction, \$35,000 or more, 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 (RLA); new 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 sub-recipient.

If the total amount of income generated from the use of CDBG funds (and retained by the City) during a single program year (January 1 through December 31) is less than \$35,000, then these funds shall be deemed Non-Program Income and shall not be subject to PI policies and procedures included within this Plan. However,

Quarterly and Annual Program Income Reports must be submitted regardless of whether the \$35,000 threshold is reached or not.

Portfolio Management Costs: Costs of managing the portfolio of CDBG and HOME funded loans may be charged to PI under general administration or activity delivery within the allowable limits set by HUD.

General Administration (GA) Cost Limitation:

Program income must be:

- a) Disbursed for an activity funded under an open grant prior to drawing down additional Federal funds
- b) Disbursed for an activity that meets a National Objective as approved by DCED and City Council
- c) Forwarded to the State of Pennsylvania, Department of Community and Economic Development Department; or
- d) Distributed to one or more Revolving Loan Accounts (RLA) according to this Program Income Reuse Plan after adoption of the plan by the City jurisdiction and approval by the Department. The Reuse Plan must be adopted by the local governing board only after compliance with the City's citizen participation process as specified in Federal Regulations at 24 CFR 570.486, Local Government Requirements.

The City reserves the option of utilizing PI to fund/augment as CDBG funded activity included in a grant agreement or an activity that meets a National Objective pre-approved by DCED and City Council. In order to exercise the above option, the City must first follow the citizen participation process, hold a public hearing, obtain a governing body resolution, and obtain approval from the State CDBG Program.

Non-Program Income must be:

- a) Deposited into a separate non-CDBG account
- b) Funds must be utilized for Economic Development initiatives within the City of St. Marys
- c) Proposed projects are to be presented by the Community and Economic Development Coordinator and approved by the City Manager

Planning Activities: The City reserves the option to utilize PI (within the 18 percent 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 cost of such planning activities may be charged to a 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 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 or an activity that meets a National Objective pre-approved by DCED and City Council will be distributed as follows:

Revolving loan account (RLA's) established to utilize the PI.

1. At least 50% of PI will be deposited into the Business Expansion and Retention Revolving Loan Account to be administered by the City's Community & Economic Development Department
And/or

2. At least 50% of PI will be deposited into a housing rehabilitation, sidewalk replacement or energy efficient Revolving Loan Account to be administered by the City's Community & Economic Development Department

Distribution for Reuse of Non-Program Income: The City's Non-Program Income that qualifies under 24 CFR 570.489 (e) (2) guidelines will be distributed as follows:

1. 100% of the funds will be deposited into a separate Community & Economic Development account to be utilized for:
 - a. Economic Development projects
 - b. Community Development projects
 - c. EMS and Safety projects
 - d. Revolving Loan Funds

The projects and distribution of funds will be under the direction of the City's Community and Economic Development Coordinator and the City Manager.

Reporting and Federal Overlay Compliance: 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 RLAs, and the required Quarterly and Annual Program Income Reports, which shows combined PI and NPI receipts and actual PI and NPI expenditures for all RLAs and grants on one report (see chapter 10 of the CDBG Grant Management Manual for due dates). The City shall ensure that the use of Program Income and Non-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 ongoing 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 shall obtain the Department's written approval before proceeding with any PI-funded activity.

Maximum Funds in Revolving Loan Accounts: Program Income received by the RLAs during the calendar year (January 1 through December 31) shall be substantially expended by the end of the program year (December 31). At any given time, the funding balance for either of the RLAs should not exceed the typical cost of a single RLA project, plus reasonable general administration (GA) and activity delivery (AD) amounts. For example, if your average Housing Rehabilitation PI loan cost (including AD and GA) is \$58,000, the balance of your Housing Rehabilitation RLA should not typically exceed this amount. If your average Business Loan cost (including AD and GA) is \$175,000, the balance of your business Expansion and Retention RLA should not typically exceed this amount.

Revising This Plan: The purposes and allowed uses of funds under the City's RLAs are as follows:

• **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 or less of the county'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 50 percent (50%) of the program income funds actually expended during the program year under this RLA shall be expended for housing rehabilitation grants. No more than 19 percent of the funds expended from this RLA shall be used for activity delivery costs. No more than eighteen percent 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 49 percent of the total funds actually expended during the calendar year (January 1 through December 31).

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 (Attachment A). All assistance provided for activities under this RLA shall be made for activities that are located within the City'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.

® **Business Expansion and Retention RLA**

This fund will be used to provide "gap" financing for 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 which have an annual income that is 80 percent (80%) or less than the county's median household income adjusted for size.

At least 51 percent of the funds actually expended for the activity funded under this RLA during the calendar year shall be used on revolving activities (i.e., loans). No more than 30 percent (30%) of the Program Income funds expended during the calendar year under this RLA shall be for grants for public infrastructure improvements that are needed to accommodate a specific business expansion or retention project. No more than 10 percent (10%) of the total funds expended for business assistance activities shall be used for activity delivery costs. No more than eighteen percent (18%) of the total amount of PI actually distributed 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 49 percent (49%) of the total funds expended during the calendar year (January 1 through December 31).


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 actually expended prior to drawing down funds from the State CDBG program.

The review and funding of requests for CDBG loan or grant assistance under this RLA shall be conducted under the federal underwriting guidelines specified at 24 CFR 570.482 (e). 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

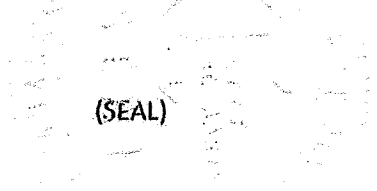
requesting funding under this RLA shall be deemed to be eligible under Section 570.482 and Section 105 (a) of the Act and shall be determined to provide sufficient public benefit as specified under Section 570.482 (f). Any CDBG assistance for infrastructure shall meet the requirements of Section 570.483 (b) (4) (F) which requires ongoing job tracking for all businesses that initially benefit from an infrastructure project as well as any subsequent business(s) benefiting from these improvements. All assistance provided to activities under this RLA shall be made for activities that are located within the City's jurisdiction.

I, TIMOTHY J. PEARSON, duly qualified Secretary of City Council, City of St. Marys, Elk County, Pennsylvania, hereby certify that the foregoing is a true and correct copy of The City of St. Marys Program Income and Non-Program Income Reuse Plan duly adopted by a majority vote of the St. Marys City Council meeting held July 16, 2018 and said Program Income and Non-Program Income Reuse Plan has been recorded in the Minutes of the City of St. Marys and remains in effect as of this date.

IN WITNESS THEREOF, I affix my hand and attach the seal of the City of St. Marys, this 16 day of July, 2018.

By: 
MAYOR LOUIS RADKOWSKI

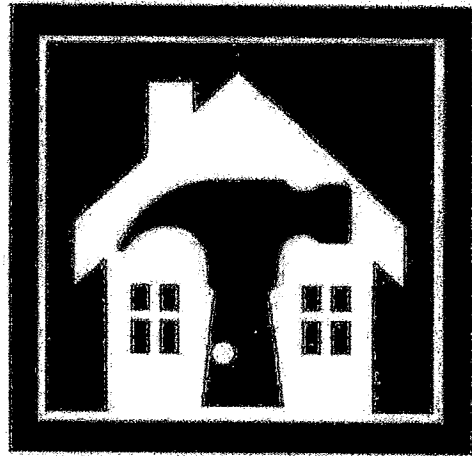
Attest: 
TIMOTHY J. PEARSON, Secretary





ATTACHMENT A

2017 HOUSING REHABILITATION PROGRAM GUIDELINES FOR HOMEOWNERS



EQUAL HOUSING OPPORTUNITY

Administered By:

City of St. Marys
Community and Economic Development Department
11 LaFayette Street
St. Marys, PA 15857

Financed by:

Community Development Block Grant Program
Commonwealth of Pennsylvania
Department of Community and Economic Development

1. **Who is eligible to participate?** The Program is available to City residents who own/finance a single-family dwelling unit in the City of St Marys. Applicant(s) must own/finance the property at least 6 (six) months prior to submitting an application; the Applicant(s) Real Estate Taxes must be current in order to submit an application and qualify for the program; the property must be the permanent residence of the Applicant(s) and the **Applicant(s) must qualify under the United States Department of Housing and Urban Development (HUD) Section 8 Housing Program Income Limits that are established and in affect at the time of submitting the application (copy of current income limits attached).**

Adjustments are made annually in the income limits. As such, adjustments are made and they are incorporated into the program as of their effective date. Again, Applicant(s) must own/finance the property at least six months prior to submitting an application; real estate taxes must be up to date in order to apply and the property being rehabilitated must be the permanent residence of the Applicant(s).

2. **What does the Program Offer?** At the present time, all very low income and all low-moderate income applicants will receive a deferred loan equal to 100% of the cost of the rehabilitation.

Improvements will range from a minimum of \$1,000 to a maximum of \$20,000 per unit, with the exception of unforeseen conditions that may occur after rehabilitation work has begun.

A deferred loan means that a lien will be placed on the property for the amount of the improvements paid from the program. The loan will be forgiven at the rate of 20% per year calculated from the time the homeowner signs off of the acceptability of the rehabilitation work. If ownership of the property is transferred during the five (5) year period, then a portion of the loan is due and payable based on a pro-rated schedule.

In the event of a death of a property owner, the case will be subject to review and possible adjustments by the Program Administrator.

3. **Does the Program require a matching share from the homeowner?** There are no matching share funds required for the homeowner.

However, if all code and health/safety deficiencies cannot be repaired within the \$20,000 limit for a single family, owner occupied dwelling, the homeowner is required to provide the additional funds necessary to correct the determined deficiencies. The homeowner shall provide the City proof that the additional funds have been secured by the homeowner prior to work beginning. Submission of funds required prior to the project's award. If the homeowner does not agree to add the additional funds required to correct all code deficiencies, the City will reserve the right to reject the application in its entirety.

4. **What Property improvements are eligible?** Improvements necessary to bring the property into compliance with the Section 8 Housing Quality Standards as determined by a certified Lead Based Paint inspector are eligible and any improvements to bring the property up to the Minimum Housing Rehabilitation Standards.

5. **What property improvements are ineligible?** Under no circumstances shall the purchase of appliances or other general cosmetic improvements be considered allowable expenses and under no circumstances

shall improvements to a garage or out building not attached to the dwelling be considered allowable expenses under this program.

Under the broad general guidelines, the Program administrator and inspectors will make determinations of eligibility of improvements along with determining and prioritizing urgent need situations. Under no circumstances will the homeowner be allowed to choose what needs to be done. Various samples of materials, including paint, will be provided at the time the agreement is being signed and the Owner will make their selections based on samples provided by the Contractor.

Situations that may come to light as a result of property inspections and any unforeseen circumstances will be referred to the Program Administrator for review and determination.

Eligible rehabilitation assistance to a mobile home, the following must be considered...the mobile home must be considered as part of the permanent housing stock. To be considered as such, the mobile home must be connected to major, available utilities and be on a permanent base and or foundation without wheels. Once a mobile home is determined to be part of the permanent housing stock, it may receive the same types of rehabilitation assistance as conventional structures. In addition, housing rehabilitation activities require a lien be placed on the property for assistance received for a period of five (5) years based on a pro-rated schedule. Rehabilitation properties must be able to accept a lien.

6. **How does the contractor selection occur?** A contractor's list will be developed from qualified, certified firms requesting consideration for bids. The homeowner will choose, at a minimum, three (3) contractors to bid from the list. A minimum of two (2) bids will be required for each improvement of a property.

It will be the responsibility of the Program Administrator to secure the bids based on a work write-up developed by the Program Administrator and/or Code Enforcement Official and agreed to by the property owner.

Homeowners do not have to select the lowest bidder. However, if the homeowner selects a bid that is higher than the lowest bid or the allowable \$20,000, the homeowner will be responsible for the difference and the funds exceeding the amount must be paid before work is started.

In accordance with HUD's Section 3 and MBE/WBE requirements, the Program will encourage the use of local and/or minority contractors to the maximum extent feasible. All contractors and their employees must have attended a Lead Safe Work Practice Training and possess a certificate indicating such, and carry sufficient insurance. Contractors must also be certified in accordance with Act 132 through the Commonwealth of PA Attorney General. All contractors are required to carry at least \$100,000 in liability insurance and workman's compensation insurance if they have workers.

All contractors must be certified and carry sufficient insurance to be included on the list. Homeowners may choose a contractor who is not on the list provided that they are certified with the Commonwealth of PA, Attorney General and submit current insurance certificates, experience and documentation.

7. **Can a homeowner act as a contractor?** The Program does not allow for homeowners to do their own work unless homeowner meets the qualifications stated above.

8. **How does a property owner apply to the program?** Application forms may be obtained at: City Hall, Community & Economic Development Office, 11 LaFayette Street, St. Marys, PA 15857 or by calling: 814-781-1718 ext. 225.

The Program Administrator accepts applications on a continuous basis. Qualified applicants are placed on a list in the order in which the applications are received. As funds become available, the Program Administrator will contact pre-qualified applicants by phone to arrange a qualification and inspection meeting.

Under certain circumstances applicants experiencing emergency conditions, aka urgent needs, may be given priority on the list to complete the urgent need project. Due to the programs selection process additional priority may be given to leveraging of targeted areas and or populations. Applicants are required to verify income prior to submission in order to remain on the list and immediately prior to beginning the rehabilitation process.

This application process requires basic information from the applicant regarding ownership and occupancy data, household income and location. The City's Community and Economic Development staff will review the information provided and verify its accuracy through research and personal interviews. Once the factors of ownership, occupancy, location and income have been met and verified, the Program Administrator will arrange a meeting with the applicant to discuss the program in further detail and to conduct an initial on-sight first inspection of the property to be rehabilitated.

The inspection will determine the extent of code and health/safety related deficiencies and will lead to the preparation of a cost estimate. The homeowner will be notified of the total anticipated requirements. The Program Administrator and Code Enforcement Officer will then prepare a final work write-up and corrective specifications for the improvements to be undertaken. The corrective specifications will be based on the requirements of the Minimum Housing Rehabilitation Property Standards.

9. **What conditions are placed on applicants?** In addition to owning and occupying the property for a period of 6 (six) months immediately prior to applying for the program, participants in the deferred loan program must agree to sign a 5 (five) year judgment note. The judgment note (Lien) for recording in the Elk county Office of the Prothonotary. The judgment note (Lien) will be for a period of 5 (five) years for rehabilitation modifications performed and become effective the date of the final inspection. The

homeowner will be responsible for the satisfaction fee for the judgment note (Lien) after the 5 (five) year term.

Applicant(s) must maintain the property in a safe and sanitary manner for the duration of the judgement note (Lien). The Program Administrator may conduct periodic inspections of the property to determine if it is being kept in a safe and sanitary manner. If this is not being done the property owner will be given one warning and a 30-day time period to fix the conditions. If the homeowner does not respond to the warning then a pro-rated portion of the grant monies will be requested from the homeowner to the City of St. Marys.

Applicants will be contacted annually, via letter, to confirm ownership of the property. If ownership has changed, the Program Administrator should be notified immediately. On the fifth year after the project is completed, homeowners will be asked to provide payment for satisfaction of the Lien at the current rate. Payment will be mailed or dropped off at the City and the Program Administrator take care of satisfying the Lien and providing the homeowner with a copy of the Satisfaction.

By participating in the program, the applicant(s) grants to representatives of the City of St. Marys Community and Economic Department, the right of access to applicant's property upon reasonable notice to assure compliance with the program.

If the homeowner/applicant neglects their responsibility to pay the pro-rated remaining amount share of grant funding then the City of St. Marys will seek legal recourse for collection of the Lien. The homeowner is required to maintain property taxes and homeowner insurance during the course of the lien period.

10. Are there any special conditions or requirements regarding property to be rehabilitated?

The Program Administrator will conduct an environmental review Special consideration will be given to any property in the floodplain or having historical significance.

The value of the property should exceed the allowable amount of the project before any construction can be done. The determination shall be based from the assessed value of the proposed property. If the property value is worth less than the repairs needed, the City of St. Marys reserves the right to refuse the project in its entirety. Likewise, if a property is deemed unsafe to enter for inspections, the City has the authority to refuse the project.

11. Who is the administrative agent for the process? The City of Saint Marys Community and Economic Development Department is responsible for administering the program. The grant is awarded to the Community and Economic Development Department with the approval of City Council. The City of Saint Marys Finance Director and the Community and Economic Development Coordinator will ensure that all Federal and State requirements are adhered to and will comply with the conflict of interest provisions as outlined under Section 570.611 of the Code of Federal Regulations.

12. **Conflict of Interest Provisions:** No persons who exercise or have exercised any functions under this housing rehabilitation program or who are in a position to participate in a decision making process or gain inside information with regard to such program, may obtain a financial interest or benefit from this activity, or have an interest in any contract, subcontract or agreement with respect thereto, or proceeds hereunder, either for themselves or those with whom they have family of business ties during their tenure or for one year thereafter. This applies to any person who is an employee, agent or consultant of the grantee, or of any designated public agencies, or sub-recipients, which are receiving HOME and/or CDBG funds.
13. **Policy Regarding Public Documents:** It is the City's policy to keep all financial records confidential. However, since the program is a "City" Program the public has the right to view City records. Residents may obtain a "Right to Know" form from the City Manager's Secretary requesting to view the Program information and files. Each request will be reviewed by the city's Solicitor for determination as to what documents can be requested.
14. **Review of Application:** The City's Housing Rehabilitation Program provides financial assistance to eligible owner-occupied applicant(s) meeting all established requirements (i.e. income, ownership, and residency). A maximum of \$20,000 in a non-repayable grant may be awarded to qualified very low and low to moderate income homeowners, with the exception of unforeseen work and additional work write ups, as needed. The assistance will be used to bring homes up to code in areas such as roof, heating, electrical, windows, steps, etc. All work must be done and approved by contractors.

Applications will be accepted through the City of St. Marys Community and Economic Development Department. In order to participate, applicants must meet all of the requirements within the program.

The City of St. Marys will verify all requested and supplied information contained in the application. The rehabilitation process shall include, but not be limited to, initial inspection of the property, work write-ups, preliminary cost estimates, specification preparation and so forth. Upon approval, the financial assistance will be allocated.

The property owner shall approve the specifications as prepared, approve expenditures, and shall sign all contracts and documentation required all of which shall take place step by step. Commencement of the work will take place according to the steps followed and final payment to the contractor shall take place upon completion of the work to satisfaction of all parties involved and all closeout procedures have been finalized.

Grant Conditions Shall Include:

1. The applicant will pay the principal balance of the obligation in the event of the sale or transfer of the premises to which the deferred loan proceeds apply. The principal balance of the grant shall become due and owing upon the sale or transfer of subject premises. For so long as the applicant continues to hold title to the property, abides by the program terms, and the applicant or his or her spouse lives in the subject premises, there shall be no principal payments due or owing on the deferred loan.
2. In the event that the subject premises is not being used as the primary residence of the applicant or his or her spouse, the applicant agrees to pay the total combined principal balance of the grant in monthly installments over the term of the original deferred loan, pro-rated schedule, commencing at the time the premises is vacated.
3. The applicant shall at all times carry insurance coverage on the said premises. The applicant shall promptly pay all taxes when due and fire and casualty insurance premiums for premises insurance of an amount equal to or greater than the loan herein and the current balance of any mortgage having priority over the deferred loan. The City shall be listed as a loss payee on the fire and casualty insurance policy.
4. The applicant shall maintain the said premises so that it remains consistent with the minimum housing standards of the City of St. Marys Housing Rehabilitation Program and free of any code/health/safety violations during the duration of this grant program.
5. Applicants participating in the City of St. Marys Housing Rehabilitation Program after initial rehabilitation modifications are completed will be ineligible for the program for a period of 10 (ten) years. In addition, the applicant of the City of St. Marys Housing Rehabilitation Program will not subordinate on the mortgage for any reason. The applicant shall not incur any additional liens on the property which is subordinate to the City of St. Marys Housing Rehabilitation Program Lien for any reason without prior approval of the City of St. Marys Community and Economic Development Department's Program Administrator.

If you have any questions about the City of St. Marys Housing Rehabilitation Program or the application form, please feel free to call the City of St. Marys Community and Economic Development Department Program Administrator at (814) 781-1718 ext. 225.