1. **Meeting Called to Order:** A meeting of the Osceola County Housing Committee was convened at 10:00 a.m. on Thursday, October 26, 2017. The following individuals were in attendance:

   a. Jack Nehmer, Osceola County Commissioner / Housing Committee Member
   b. Ron Sikkema, Housing Committee Member
   c. Dan Massy, Community Development Coordinator

2. **Approval of Agenda:**

   (17-03) **Motion by Jack Nehmer, supported by Ron Sikkema, to approve the agenda as presented. Motion passed.**

3. **Approval of May 25, 2017 Minutes:**

   (17-04) **Motion by Ron Sikkema, supported by Jack Nehmer, to approve the May 25, 2017 minutes as presented. Motion passed.**

4. **Financial Report:** Dan provided a verbal financial report. All bills from the grant have been paid and we have a Cash Fund deficit of $14,949.72. We are awaiting a reimbursement from the State of Michigan for $18,949.72. This leaves a balance of $3,999.87 in Program Income.

   (17-05) **Motion by Ron Sikkema, supported by Jack Nehmer, to accept the financial report as briefed. Motion passed.**

5. **Review of MSHDA Program Income (PI) Policy:** Dan presented several handouts regarding MSHDA’s policy on the use of PI and the amount of PI Osceola County has received in each of the last 10 years. The Committee discussed how MSHDA’s policy effects our program.

6. **Potential Partnership with Michigan Department of Health and Human Services (DHHS):** Dan presented an idea where the County could use its PI to supplement assistance provided by the Michigan DHHS. This supplemental assistance would only be available to Osceola County residents. Our only role would be to potentially provide assistance when DHHS’ Low-Income Home Energy Related Repairs or Non-Energy Related Repairs Programs is not available or sufficient. DHHS would be responsible for administering all aspects of the program. Committee members decided not to pursue this partnership.
7. **Housing Committee – Next Steps:** Now that our MSHDA grant has been closed out Committee members discussed their next steps. It was decided the Committee will meet again in 6 months and in the meantime see if any new PI or grant opportunities materialize.

8. **Public Comments:** None; no members of the public were present.

9. **Adjournment:** The meeting was adjourned at approximately 11:15 a.m. The next Housing Committee meeting is scheduled for April 26, 2017 at 9:30 a.m.

   (17-06) **Motion by Jack Nehmer, supported by Ron Sikkema, to adjourn. Motion passed.**

Respectfully Submitted,

Dan Massy  
Community Development Coordinator

**Attachments**
UGLG Program Income Decision Tree  
MSHDA Program Income Policy for CDBG Grantees  
MSHDA Program Income (PI) Past 10 Years chart
Form 8-F

PROGRAM INCOME POLICY
FOR CDBG GRANTEES

As a result of the structural changes the Community Development Block Grant (CDBG) Program has recently undergone at the state level, and in an effort to be in full compliance with HUD guidelines, the Michigan Economic Development Corporation on behalf of Michigan Strategic Fund (MSF) is issuing this Program Income Policy for CDBG Grantees. This policy is effective starting 7/1/16.

HUD REGULATION

It is imperative that all CDBG Program Income received by the Unit of General Local Government (UGLG) in the CDBG Grant Program Year from July 1 to June 30 (Program Year) must be counted to determine if the UGLG has more than $35,000 in Program Income in the Program year (UGLG Total PI).

An UGLG may receive CDBG Program Income from various CDBG funds, grants and/or loans including housing, community development, business development, revolving loan funds, CDBG loan funds, etc.

PROGRAM INCOME DEFINED

A. Program Income commonly includes:

1. Principal and interest on loans made from CDBG funds.

2. Interest earned from CDBG local Revolving Loan Funds.

3. Proceeds from sale, disposition, or long-term lease of any UGLG owned property or equipment purchased or improved in whole or in part with CDBG funds. This is not a common situation.

4. Proceeds from sale, disposition, or long-term lease of any privately owned property or equipment purchased or improved in whole or in part with CDBG funds. For proceeds on sale of privately owned property proceeds will be netted against cost of maintaining the property and net proceeds will be subject to the Program Income rules. In this situation please contact the MEDC for further guidance.

5. Gross income from the use or rental of real property owned by the UGLG and purchased or improved with CDBG funds.

B. Program Income does NOT include:

1. UGLG Total PI less than $35,000 in the Program Year and ceases to be federal money after the end of the FY in which the PI was received and may be used by the UGLG for any activity, including activities not eligible under CDBG regulations.

2. Income received by 105(a)15 Lenders (Regional Loan Funds in the CDBG Loan Program) for successfully completed loans per the Grant Administration Manual (GAM) and other guidance. The GAM can be found at this link: [http://www.michiganbusiness.org/community-development-block-grant-administration-manual/#chapter1](http://www.michiganbusiness.org/community-development-block-grant-administration-manual/#chapter1)

3. Proceeds on sale of real property purchased or improved more than 5 years after the expiration of the grant agreement between the UGLG and the State. This applies to UGLG owned property, subject to the terms of the grant agreement.

**POLICY AND PROCEDURE**

Due to the complexity of the Program Income rules set by HUD, we are laying out clear policy and procedures effective July 1, 2016.

To assist with best practices on how to manage Program Income, we are providing the attached Decision Tree **Form 8-G** and this document **Form 8-F**. UGLGs are strongly encouraged to review the detailed rules for State CDBG Programs at 24 CFR 570.489 (e) and [https://www.gpo.gov/fdsys/pkg/CFR-2012-title24-vol3/pdf/CFR-2012-title24-vol3-sec570-489.pdf](https://www.gpo.gov/fdsys/pkg/CFR-2012-title24-vol3/pdf/CFR-2012-title24-vol3-sec570-489.pdf)

1. CDBG Program Income may NOT be expended during the Program Year (July 1 – June 30) in which it was earned. Exceptions will be considered, please contact the MEDC if you would like to spend current year Program Income on CDBG eligible activities.

2. CDBG Program Income may NOT be expended for non-CDBG eligible uses without receiving MEDC verification that the UGLG Total PI is less than $35,000.

3. At the end of the Program Year, all CDBG Program Income generated through all UGLG Programs (housing, CDBG Loan Funds, economic development projects, etc.) must be counted together to determine if the UGLG Total PI has exceeded the $35,000 limit.

4. Near the end of the program Year, a CDBG PI Program Year Certification form will be sent out and all grantees will be expected to verify the amount of PI received in the year.

5. All UGLGs with access to OPAL should continue reporting all housing receipts and expenditures within 7 days of receipt, as has been the rule.

6. One central contact for UGLG Total PI should be established for each UGLG to assist us in gathering and disseminating information related to CDBG Program Income. This person will be identified on the certification form provided by the UGLG.
7. Upon receipt of the CDBG PI Program Year Certification forms, the MEDC will verify the amount of UGLG Total PI and advise UGLG as to whether the $35,000 threshold has been surpassed.

8. If the UGLG Total PI (from housing, CDBG loan funds, economic development grants, etc.) is $35,000 or more, then the funds remain federal money and the UGLG will have 12 months from June 30th to spend those funds on eligible CDBG activities.

These activities are subject to standard required compliance, reporting, and monitoring. National objectives must be met and accomplishment data collected. Please refer to the CDBG Application Guide. The CDBG Application Guide can be found at this link: http://www.michiganbusiness.org/cm/Files/Community_Development/2016%20CDBG%20app%20guide.pdf?rnd=1466701885027

If at the end of the 12 months, any Program Income from the previous Program Year not expended must be returned to the state.

9. If the UGLG Total PI (from housing, CDBG loan funds, economic development grants, etc.) is less than $35,000, then the funds cease to be federal money and may be used by the UGLG for any activity, including activities not eligible under CDBG regulations. It is recommended that UGLGs consider using said non-federal funds to administer a homeowner rehabilitation and/or emergency repair program.

10. Program Income retains its federal nature indefinitely, except in very limited circumstances. If the UGLG’s Program Income is not generated from Regional Revolving Loan Funds it will always be federal. That means if an UGLG funds a loan with Program Income and receives payments on that loan those payments are still Program Income.

11. If an UGL does not wish to retain CDBG Program Income and comply with these requirements, then the UGLG may return funds to the State. Any Program Income returned to the State will be reported to HUD and will add to the funds available in that program year to fund new grant awards.

CDBG ACTIVITIES PERMITTED WITH PROGRAM INCOME

Low/Mod Housing
- Emergency Repair
- Homeowner Rehabilitation

Administration
Reasonable and necessary costs of administering the above listed activities:
- Administrative costs may not exceed 18% of total Program Income.
- Not more than 18% of the total funds spent on each activity made go towards admin.
- Administrative costs must be fully documented and will be reviewed at monitoring.
- Staff time must be reported and documented using the Time and Effort log in the GAM.

CDBG ACTIVITIES REQUIRING PRIOR APPROVAL
Low/Mod Area Benefit
Low/Mod Job Creation
Rental Rehabilitation (only if 100% low-mod benefit, not 51%)

CDBG ACTIVITIES NOT ALLOWED (EXCEPTIONS MAY BE CONSIDERED)

Elimination of Slums and Blight national objective
  ▪  Blight Elimination – demolition or rehabilitation

Low/Mod Housing
  ▪  Rental Rehabilitation that includes non-low/mod units

Urgent Need
  ▪  No activities that qualify solely under the Urgent Need national objective will be permitted

Administration
  ▪  Planning/Market Studies

Program Income Policy for CDBG Grantees 06 23 16.docx
UGLG generates income related to activities funded in full or in part with CDBG funds.

Does the UGLG wish to return all CDBG revenue for the grant year to MEDC?

Yes: CDBG income returned to the MEDC does not require any further action, except grant year end reporting.

No: The UGLG must wait until grant program year end (June 30th) before spending any funds generated in a grant year.

After June 30th did the UGLG generate more than $35,000 in UGLG Total PI in the grant program year?

Yes: UGLG must request verification from the MEDC that all UGLG revenues for the grant year totaled less than $35,000.

No: UGLG must report all housing revenue receipts and expenditures as well as submitting all required documentation immediately after June 30th.

Does the UGLG have an open grant in OPAL?

Yes: UGLG must report all housing revenue receipts and expenditures as well as submitting all required documentation immediately after June 30th.

No: UGLG should report revenue and expenditures as well as submitting all required documentation immediately after June 30th.

MEDC verifies over $35,000

The revenue does not meet the official definition of Program Income. These funds are no longer federal and may be used at the discretion of the UGLG.

MEDC verifies over $35,000

The revenue does not meet the official definition of Program Income. These funds are no longer federal and may be used at the discretion of the UGLG.

After June 30th did the UGLG generate more than $35,000 in UGLG Total PI in the grant program year?

No: UGLG must work with the MEDC to set up a program income grant to record expenditures and accomplishments.

Yes: UGLG must report all housing revenue receipts and expenditures as well as submitting all required documentation immediately after June 30th.

Does the UGLG have an open grant in OPAL?

Yes: UGLG must report all housing revenue receipts and expenditures as well as submitting all required documentation immediately after June 30th.

No: UGLG should report revenue and expenditures as well as submitting all required documentation immediately after June 30th.

MEDC verifies over $35,000

The revenue does not meet the official definition of Program Income. These funds are no longer federal and may be used at the discretion of the UGLG.

Funds are CDBG PI and will be reported to HUD and subject to monitoring under program guidelines.
<table>
<thead>
<tr>
<th>Year</th>
<th>Income (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>33,027</td>
</tr>
<tr>
<td>2009</td>
<td>13,646</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>9,675</td>
</tr>
<tr>
<td>2013</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>15,344</td>
</tr>
<tr>
<td>2015</td>
<td>5,000</td>
</tr>
<tr>
<td>2016</td>
<td>5,264</td>
</tr>
</tbody>
</table>

Avg. per year: $8,196