



**STATE OF COLORADO
COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY
Program Income Guidelines**

OVERVIEW

The Department of Local Affairs, (DOLA), is responsible for the oversight of the Community Development Block Grant - Disaster Recovery (CDBG-DR) funds and any Program Income derived from the grant. Program Income guidance and waivers for grants that fall under Public Law are outlined in 87 FR 31636 (May 24, 2022). This document is consistent with federal guidance and provides further clarity on the use and management of Program Income generated from Colorado's CDBG-DR grant.

These policies may be modified from time to time based on changes to DOLA policy, statute, or the U.S. Department of Housing and Urban Development (HUD) regulations and guidance. DOLA will promptly notify grantees of changes.

DEFINITION OF PROGRAM INCOME

HUD defines CDBG-DR Program Income Federal Register / Vol. 87, No. 100; page 31660 (May 24, 2022) (the "May Notice"), adapted below.

A. Program Income is defined as gross income generated from the use of CDBG-DR funds (except as provided below under "Exceptions") and received by a State, Unit of General Local Government ("UGLG"), or subrecipient of a State or UGLG. When income is generated by an activity that is only partially assisted with CDBG-DR funds, the income shall be prorated to reflect the percentage of CDBG-DR funds used. Program Income includes, but is not limited to, the following:

1. Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG-DR funds;
2. Proceeds from the disposition of equipment purchased with CDBG-DR funds;
3. Gross income from the use or rental of real or personal property acquired by a State, UGLG, or subrecipient of a State or UGLG with CDBG-DR funds, less costs incidental to generation of the income (i.e. net income);
4. Net income from the use or rental of real property owned by a State, UGLG, or subrecipient of a State or UGLG, that was constructed or improved with CDBG-DR funds;
5. Payments of principal and interest on loans made using CDBG-DR funds;
6. Proceeds from the sale of loans made with CDBG-DR funds;
7. Proceeds from the sale of obligations secured by loans made with CDBG-DR funds;
8. Interest earned on Program Income pending disposition of the income, but excluding interest earned on funds held in a revolving fund account;
9. Funds collected through special assessments made against properties owned and occupied by households not of low- and moderate-income, where the special assessments are used to recover all or part of the CDBG-DR portion of a public improvement; and
10. Gross income paid to a State, UGLG, or a subrecipient thereof from the ownership interest in a for-profit entity in which the income is in return for the provision of CDBG-DR assistance.



B. Exceptions. Program Income does not include the following:

1. The total amount of funds which is less than \$35,000 received in a single year (measured by the State's fiscal year) and retained by a State, UGLG, or subrecipient thereof;
2. Amounts generated by activities both eligible and carried out by an entity under the authority of Section 105(a)(15) of the Housing and Community Development Act.

GENERAL GUIDELINES

Permission to retain and use Program Income generated from CDBG-DR activities varies depending upon the grantee and the funded activity. The State may permit a subrecipient or developer that receives or will receive program income to retain it, or may require them to pay the program income to the State.

A. Use of Program Income

- a. Program income that is paid to the State before or after closeout of the grant that generated the program income, and used to continue disaster recovery activities, is treated as additional disaster recovery CDBG funds subject to the requirements of the May Notice and must be used in accordance with the State's Action Plan for Disaster Recovery. To the maximum extent feasible, program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made, unless the State establishes a revolving loan fund to carry out specific, identified activities.
- b. Program income paid to the state can be used to fund any eligible activities that are in an open obligation round at the time of receiving the program income. Program income is also subject to the general administration cap of 5% per the May Notice. Thus, the total of all costs charged to the grant (whether paid out of grant funds or program income) and classified as general administration must be less than or equal to the 5% cap.

B. Transfer of Program Income

- a. The State may transfer program income before the closeout of the grant that generated the program income to its annual CDBG program. In addition, the State may transfer program income before closeout to any annual CDBG-funded activities carried out by a UGLG or Indian tribe within the State.
- b. Program income received by the State, or received and retained by a subrecipient, after the closeout of the grant that generated the program income, may also be transferred to a State's annual CDBG award. In all cases, any program income received, and not used to continue disaster recovery activities, will not be subject to the waivers and alternative requirements of the May Notice. Rather, those funds will be subject to the State's regular CDBG program rules.

C. Revolving Loan Funds

No Revolving Loan Funds have been established with CDBG-DR grant funds. Monies transferred to annual CDBG appropriations may be applied to new or existing Revolving Loan Funds and are subject to the Program Income guidelines of the receiving program.



AGENCY SPECIFIC RESPONSIBILITIES AND GUIDELINES

Programs under the CDBG-DR grant that will potentially generate program income include housing programs managed by the Division of Housing (DOH):

- A. DOLA's Division of Local Government (Division) is responsible for the overall management of Program Income and ensuring agency policies and practices are consistent with federal guidelines and the Action Plan. The CDBG-DR Program Manager within the Division shall:
- a. Approve the transfer of CDBG-DR program income to the State's annual CDBG program, an eligible entitlement community's annual CDBG program, or specific CDBG activities;
 - b. Approve the establishment of a Revolving Loan Fund (if applicable); and/or
 - c. Prioritize the use of program income used for disaster related activities using the following criteria:
 1. For activities generating program income with draws anticipated to exceed that program income within the next 30 days, the subrecipient will keep the program income and the next draw from the Treasury will be reduced by that amount.
 2. For activities without anticipated draws within the next thirty days, program income will be returned to the State and be credited towards other disaster related activities using the following precedence:
 - a. Credited to another activity within the same program,
 - b. Credited to another activity in a different program managed by the same Agency, or
 - c. Credited to the next activity with a draw large enough to cover the program income as determined by the CDBG-DR Program Manager or the designated program accountant.
- B. The Colorado Division of Housing (DOH), within the Department of Local Affairs, is responsible for the oversight, tracking, and reporting of CDBG- DR Program Income generated by activities under DOH management which includes Housing Rehab/Reconstruction programs. DOH will establish disposition of program income generated by subrecipient activities through grant or loan agreements. DOH, in coordination with the Division, will have the option to:
- a. Reduce future draws for the generating activity,
 - b. Allow subrecipients to retain program income,
 - c. Establish a revolving loan fund,
 - d. Return program income to the State through the Division for distribution to other disaster recovery activities, or
 - e. Transfer program income to the annual CDBG program.

TRACKING AND REPORTING

The Division will coordinate with DOH on all Program Income received that is returned to the CDBG-DR grant to ensure that it is receipted in CORE and appropriately re-coded in the DRGR in accordance with the



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CDBG-DR Payment Policies and Procedures.

The Division of Housing will maintain responsibility for receiving reports from their subrecipients in accordance with their grant agreements and policies and procedures. These reports will be included within the request for reimbursements, along with any other documentation as deemed necessary by the Division of Housing. Any Program Income generated through CDBG-DR funds that are subsequently transferred to the annual CDBG program will be subject to the policies and procedures of Program Income under the annual appropriation.