

**WILLIAMSON COUNTY**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**PROGRAM INCOME POLICY**

This policy is implemented to comply with applicable federal, state and local laws, regulations and policies governing the disposition of program income. Applicable laws and regulations include, but are not limited to, Title 24 Code of Federal Regulations, Chapter V, Subchapter C, Part 570, Subpart J and Subpart K.

**1. DEFINITIONS:**

- 1.1** Program Income means gross income received by the Recipient or Sub-recipient directly generated from the use of CDBG funds.
- 1.2** Recipient means Williamson County, Texas.
- 1.3** Sub-recipient means any entity that receives CDBG funding from the Recipient.
- 1.4** CDBG means a Community Development Block Grant received by the Recipient pursuant to Title 24 Code of Federal Regulations, Chapter V, Subchapter C, Part 570.
- 1.5** Income Report means an accounting and report prepared by the Sub-recipient setting forth the amount of Program Income generated by the Sub-recipient's activities and the method by which such Program Income was generated.

**2. INCOME:** Program Income includes, but is not limited to, the following:

- 2.1** Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds, including but not limited to, a pro rata share of mortgage payments, principal and interest, or lease payments received by a Sub-recipient as a result of such sale or long-term lease; such pro rata share being calculated pursuant to Section 5, below.
- 2.2** Gross income from the use or rental of real property owned by the Recipient or by a Sub-recipient that was constructed or improved with CDBG funds, less costs incidental to generation of the income.
- 2.3** Proceeds from the sale of obligations (mortgages) secured by loans made where CDBG funds were used.
- 2.4** Interest earned on program income pending its disposition.

**3. DISPOSITION OF INCOME AND REPORTS:** Sub-recipients shall:

- 3.1** Remit to Recipient Program Income received by Sub-recipient together with an Income Report on or before the tenth (10<sup>th</sup>) day of the month following the end of each Recipient fiscal quarter.
- 3.2** Allocate each Income Report to each program year in which funding was received.
- 3.4** Allocate each Income Report to each source generating the income.
- 3.5** Continue the reporting and remittance under this Section until five (5) years from the date funds were last spent in each program year or until five (5) years after the

expiration of the relevant agreement between the Recipient and the Subrecipient, whichever is later.

**4. INCOME MORE THAN \$25,000 OR LESS THAN \$25,000:**

- 4.1** Recipient shall have on file appropriate supporting documentation necessary to support the Recipient's determination of the total Program Income generated from all of the activities of the Recipient and all Sub-recipients.
- 4.2** If the annual amount of Program Income does not exceed \$25,000, the Recipient may transfer the funds to the Recipient's General Fund and use the funds as authorized by the Annual Operating Budget, or, at Recipient's option, Recipient may return the funds to the Sub-recipient.
- 4.3** If the total annual amount exceeds \$25,000, then the Program Income will be handled in accordance with regulatory requirements.

**5. CALCULATION OF PROGRAM INCOME:**

- 5.1** The amount of Program Income resulting from a sale of property acquired using CDBG funds by a Sub-recipient is calculated by multiplying the sales price of such property by a fraction, the numerator of which is the amount of CDBG funds used to purchase such property and the denominator of which is the total cost of acquiring and improving the property, including the value of donations applied to the property (the "Sale Income Ratio"). In the event the Sub-recipient will receive partial or periodic payments as a result of a sale of property acquired using CDBG funds, the Program Income derived from each payment is the amount of such partial or periodic payments multiplied by the Sale Income Ratio. Once the Sale Income Ratio has been determined, it shall not change.

**5.2 EXAMPLE:**

Land purchase with CDBG funds	\$40,000
Actual Construction Costs	\$50,000
Value of Donations	<u>\$10,000</u>

Total project cost                      \$100,000

The Sale Income Ratio is  $\$40,000 \div \$100,000 = 40\%$

The Sale Income Ratio is applied to all dispositions of property concluded prior to five years after the expiration of the relevant agreement between the Recipient and the Subrecipient, including but not limited to:

- sale by the homeowner.
- foreclosure by Sub-recipient and sale to another homeowner.
- the rental or lease payments if Sub-recipient forecloses and rents or leases the property
- any profit realized from any sale of the property
- principal and interest payments received to satisfy the mortgage

- any other event that would create Program Income.

**5.3** If real property acquired with CDBG funds is posted for foreclosure, and a third party purchases the property, Program Income from such third-party purchase is the amount of funds in excess of the mortgage balance multiplied by the Sale Income Ratio.

**5.4** Program Income resulting from a rental or lease of property by a Sub-recipient that was acquired using CDBG funds is calculated by multiplying the rental or lease payment of such property by a fraction, the numerator of which is the amount of CDBG funds used to purchase such property and the denominator of which is the value of such property (the “Rental Income Ratio”). In the case of personal property, the value is the total purchase price paid by Sub-recipient. In the case of real property, the value of such real property is the total of the amount of CDBG funds used to acquire the real property plus the amount of additional funds expended by a Sub-recipient for the acquisition of such real property or the construction of improvements thereon, plus the value of donations applied to the property.