

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

SUBJECT: HOME, CDBG, MSHDA, or Homeless Program Income and Its Appropriate Use

Policy Bulletin #4

EFFECTIVE DATE: August 19, 2005

The following is provided as the current policy regarding program income and its appropriate use. By definition, program income is gross income received by a grantee that was generated from the use of HOME, Community Development Block Grant (CDBG), MSHDA, or Homeless funds. Generally these funds are generated from loan repayments from properties purchased, constructed, and/or rehabilitated with CDBG/HOME funds. For a more detailed definition of program income and requirements, please refer to CFR 570.489 (Program Administrative Requirements) for CDBG funds and CFR 92.503 for HOME funds. This policy bulletin will address:

- **Program Income from County Allocation Awards**
- **Program Income from Housing Resource Fund Awards**
- **Program Income from HUD or MSHDA funded Homeless Program Awards**

PROGRAM INCOME FROM COUNTY ALLOCATION AWARDS

Current Grantees

Program income generated by a County Allocation Grant received by a currently funded County Allocation grantee that MSHDA/Office of Community Development (OCD) has permitted the grantee to retain, is subject to the Community Development Act of 1974 as amended and Subpart I or Part 570; **or the federal HOME Regulations 24 CFR Part 92.2; and CPD Notice 97-9 regarding HOME Program Income. Program income must be expended in accordance with the currently active grant agreement.** Receipt/accrual and expenditure of program income will be reported to MSHDA. **Additionally, the grantee must complete the *Annual CDBG Housing and or HOME Program Income Certification Form (Attachment A)*. However, this tracking requirement may change to an On-line Project Administration Link (OPAL) based process.**

MSHDA will monitor the use of these funds as long as the grantee continues to receive funds from MSHDA. Further, program income is to be used for the same activity(ies) for which the grant was approved. That is, if a community's grant was awarded for housing rehabilitation only (no public works component), then the program income cannot be used for public works activities, only housing rehabilitation. Upon MSHDA approval, a grantee may use program income for another eligible CDBG or HOME activity. Please submit all such requests in writing to your Community Development (CD) Specialist.

Previous County grantees eligible to continue to operate a housing program with program income

CDBG/HOME program income that is realized after grant close-out by MSHDA can be retained by the County if all the following are true:

- The county is continuing the same housing activities;
- The county is eligible for continued funding from MSHDA (Non-Entitlement county); and
- The county is in the process of applying for a new county allocation grant from MSHDA.

The county must meet all CDBG and HOME requirements, including the annual program income certification, relative to the use of the funds, and report to MSHDA on the use of these funds.

CDBG or HOME County Allocation Grants awarded after July 1, 2004

Counties awarded HOME funds after July 1, 2004 will not be allowed to retain Program Income (PI) generated from these HOME grants. HUD's PI tracking and expenditure requirements for the HOME Program make it too administratively burdensome for MSHDA to allow grantees to retain program income.

Any HOME funded county allocation grants awarded after July 1, 2004 will have a provision that all Program Income generated will be returned to MSHDA.

County Allocation grants funded with CDBG dollars after July 1, 2004 will still have a provision allowing counties to retain program income.

PROGRAM INCOME FROM HOUSING RESOURCE FUND (HRF) AWARDS

- Grantees funded with HOME or MSHDA dollars through OCD's HRF must return all program income received to MSHDA (unless there is a specific signed written agreement between MSHDA and the grantee allowing the Grantee to retain PI)
- Cities, Townships, and Villages funded with CDBG Funds prior to July 1, 2004

Any community (non-county) that has received a CDBG funded grant through MSHDA's OCD prior to July 1, 2004 may be allowed to retain the Program Income if the community is continuing the same housing activities and is eligible to apply for MSHDA's Housing Resource Funds.

The community must meet all CDBG requirements, including the annual program income certification, relative to the use of the funds, and report to MSHDA on the use of these funds.

- All HRF Grantees funded with HOME, MSHDA, or CDBG (funded after July 1, 2004)

All proceeds from a MSHDA OCD grant that come back to a MSHDA Grantee, except for County Allocation funds and CDBG funds awarded prior to July 1, 2004, must be forwarded to MSHDA. These funds are typically referred to as Program Income. These funds must be returned to MSHDA even if the mortgage is between the Grantee and the borrower.

Checks for CDBG program income should be made payable to the State of Michigan and the Grantee of origin and Grant Number designated on the check stub (i.e., MSC-97-XX-HO).

Checks for HOME Program Income should be made payable to MSHDA and include the Grantee of Origin and MSHDA Grant number on the check (i.e. M-1999-XXX), and should include the address of property sold or transferred that generated the Program Income, and the HUD activity number (if known).

Checks for Program Income from a Grant Award of MSHDA funds should be made payable to MSHDA and have the Grantee of origin and the MSHDA Grant number on the check (i.e. HRF-2000-XXX).

All checks should be mailed to:

Office of Community Development
MSHDA
P.O. Box 30044
Lansing, Michigan 48909
Attention: (Note name of Community Development Specialist, if known)

MSHDA Grantees must also complete the Annual Housing Program Income Certification form as long as there are any outstanding HOME, CDBG, or MSHDA liens or accounts receivable. MSHDA is requiring that the Grantee track all outstanding liens between the Grantee and property owner assisted. MSHDA will track liens if the lien is between MSHDA and the property owner.

Maximum Program Income on Hand

CDBG program income must be expended to the maximum extent feasible prior to drawing additional CDBG funds from MSHDA. Specifically, MSHDA is requiring, as instructed by HUD, that any CDBG PI in excess of \$5,000 must be committed to a project prior to the community's request for an additional drawdown on their current CDBG grant funds. **All HOME PI on hand must be expended prior to an additional drawdown of the current HOME grant.**

Administrative Expenses

Program income can be utilized to cover reasonable housing program administrative costs. However, no more than 20% of CDBG program income may be expended for administrative expenses. No more than 10% of HOME PI can be used for general administrative expenses and no more than 10% for project related soft costs.

PROGRAM INCOME FROM HUD OR MSHDA FUNDED HOMELESS PROGRAM AWARDS

It is unlikely that HUD or MSHDA Emergency Shelter funding would generate any Program Income. Any program income that is received from an Emergency Shelter Grant funded project can be retained by the grantee to carry on the same type of activities; however, MSHDA reserves the right to recapture the funds in the event of non-compliance with MSHDA and/or federal guidelines. Grantees are not required to report regularly on the use of this program income, but must make records available upon MSHDA's request. Note, **no more than 10% of program income received can be expended for administrative expenses.**

Should you desire additional clarification on the policy bulletin, contact your Community Development (CD) Specialist or CD staff at (517) 373-1974.

Attachment
A, Certification