

**(SAMPLE)**  
**NEIGHBORHOOD STABILIZATION PROGRAM**  
**PROGRAM INCOME REUSE PLAN**

**Revision / Adopted Date** \_\_\_\_\_

Grantee Name \_\_\_\_\_

Grantee Address \_\_\_\_\_

Grantee Telephone # \_\_\_\_\_ Grantee E-mail \_\_\_\_\_

The purpose of this plan is to establish guidelines on the policies and procedures for the administration and utilization of program income received as a result of activities funded under the Neighborhood Stabilization Program (NSP).

**Need for Plan Governing Reuse of NSP Program Income**

NSP is authorized under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) and under the heading of the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes. HERA provides under a rule of construction that, unless it is otherwise stated, grants made under the NSP are considered to be Community Development Block Grant (CDBG) funds.

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 Code of Federal Regulations (CFR) 570.489 (e)(3) and of Title III of Division B of HERA.

These statutory and regulatory sections permit the Grantee to retain NSP Program Income generated by eligible NSP activities pursuant to HERA. The eligible NSP activities shall principally benefit low-, moderate-, and middle-income (LMMI) individuals and families, and limited to only those activities as described in the Grantee's Application and Exhibit B of the NSP Standard Agreement. Such activities may include:

- A. Establish financing mechanisms for purchase and redevelopment of foreclosed-upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.
- B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
- C. Establish land banks for homes that have been foreclosed upon.
- D. Demolish blighted structures.
- E. Redevelop demolished or vacant properties.

## **Acceptance of the NSP Program Income Reuse Plan**

The NSP Program Income Reuse Plan must detail the proposed uses of NSP Program Income and confirm the jurisdiction's required compliance with state and federal regulations.

***The NSP Program Income Reuse Plan must be adopted by the local governing board only after compliance with the Grantee's citizen participation process as specified in Federal Regulations at 24 CFR 570.486, Local Government Requirements.***

***The Grantee shall obtain the Department of Housing and Community Development's (Department) written acceptance before taking any site specific prohibitive choice limiting actions with any NSP Program Income funded activity.***

## **Program Income Defined**

NSP Program Income is defined in federal regulation at 24 CFR 570.500(a) which specifies that the NSP Program Income is the gross income received by the Grantee that has been directly generated from the use of CDBG/NSP funds. There are limitations and requirements based on the NSP activity that generated the program income and on the date the income is received. Examples of program income include:

- payments of principal and interest on housing rehabilitation or business loans made using CDBG/NSP funds,
  - interest earned on program income pending its disposition, net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG/NSP 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/NSP funds and that is owned (in whole or in part) by the participating jurisdiction or subrecipient.
1. Program Income generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E).
    - a. Program Income received before July 30, 2013, may be retained by the Grantee if it is treated as additional CDBG/NSP funds and used in accordance with the requirements of Section 2301.
    - b. Program Income received on or after July 30, 2013, must be returned to the Department.

Any program income received by the Grantee on or after July 30, 2013, that is generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) (e.g., proceeds from the sale) and is not authorized to be retained as described below must be remitted to the Department.

Any program income received by a NSP grantee on or after July 30, 2013, that is generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) and that is in excess of the cost to acquire and redevelop or rehabilitate an abandoned or foreclosed-upon home or residential property may be retained if the Department accepts a request to use the funds for other NSP purposes.

Note that no profit can be earned on the sale of an abandoned or foreclosed-upon home or residential property to an individual as a primary residence; as provided under Section 2301(c)(3), the sale must be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate the home or property up to a decent, safe, and habitable condition.

*Example<sup>1</sup>:* Grantee acquires a foreclosed-upon multi-family residential property for \$100,000, spends \$100,000 to redevelop the property, and sells the property for \$225,000. If the sale occurs on or after July 30, 2013, the amount to be remitted to the Department or unit of general government is \$200,000 if the Department authorizes the profit of \$25,000 to be used for other NSP purposes, or \$225,000 if the Department does not authorize such use.

- c. Revenue received by a private individual or other entity that is not a subrecipient.
  - i. Any revenue generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) that is in excess of the cost to acquire and redevelop (including reasonable development fees) or rehabilitate an abandoned or foreclosed-upon home or residential property must be provided to the state or unit of general local government and treated as program income. The disposition of the program income by the state or unit of general local government is governed by a. and b. above.
  - ii. Any revenue that is generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) and is received on or after July 30, 2013, shall be provided to the State and treated as program income. The disposition of the program income by the state is governed by b. above.

*Example<sup>2</sup>:* A unit of general local government uses NSP funds to make a loan (or grant) to a developer to finance the acquisition and rehabilitation of a foreclosed upon multi-family residential

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<sup>1</sup> Not to be included

<sup>2</sup> Not to be included

property. The developer uses \$200,000 in NSP funds (loan or grant) from the unit of general local government to pay the total costs of acquisition and rehabilitation (including reasonable development fees) and subsequently sells the property for \$225,000. The developer is required to provide \$225,000 to the unit of general local government. (If the NSP funding was a loan, the sale proceeds would be used to repay the NSP loan.) If the sale occurs on or after July 30, 2013, the unit of general local government must remit \$225,000 to the Department. If in this same example, the developer received \$100,000 of NSP funding and used \$100,000 of its own funds for eligible costs, the revenue to be provided to the local government would be \$125,000.

2. Program income generated by activities carried out pursuant to Section 2301(c)(3)(A), (C) and (E). Program income received may be retained by the State or unit of general local government if it is treated as additional CDBG/NSP funds and used in accordance with the requirements of Section 2301. Revenue received by a private individual or other entity that is not a subrecipient must be returned to the State.

### **Cash Management**

1. All NSP Program Income must be disbursed for eligible NSP activities before additional NSP funds are made available to the Grantee for an advance or reimbursement.
  - a. All NSP Program Income generated by NSP-funded activities must be placed in a separate NSP Program Income account.
  - b. The Grantee will be allowed to use the NSP Program Income to meet the used/obligated milestones. Furthermore, any NSP Program Income funds that are not shown to be used/obligated on the Grantee's next Quarterly NSP Program Income Report must be returned to the Department.
2. Agreements with subrecipients and other entities. States and units of general local governments must incorporate in subrecipient agreements such provisions as are necessary to ensure compliance with the requirements of this paragraph, including the requirement that program income be remitted to the Department. States, units of general local government, and subrecipients must incorporate in agreements with private individuals and other entities that are not subrecipients such provisions as are necessary to ensure compliance with the requirements governing disposition of revenue generated by activities carried out pursuant to Section 2301(c).

### **General Administration (GA) Cost Limitation**

The Grantee will be allowed general administrative costs of up to five percent (5%) of all NSP Program Income expended during each fiscal year.

### **Activity Delivery (AD) Cost Limitation**

The Grantee will be allowed activity delivery costs up to the percentage (%) of the total activity expenditure amount. The maximum activity delivery percentage (%) for each activity is:

Financing Mechanisms	up to 8 percent (8%)
Housing Acquisition	up to 8 percent (8%)
Housing Rehabilitation	up to 19 percent (19%)
Disposition (Rental, Sale)	up to 8 percent (8%)
Landbanking	up to 8 percent (8%)
Demolition	up to 8 percent (8%)
Redevelopment (public facilities, public improvements)*	up to 8 percent (8%)
*if complex labor standards are justified	up to 12 percent (12%)

### **Reuses of NSP Program Income**

The Grantee will be allowed to use the earned NSP Program Income for eligible NSP activities in the areas of greatest needs listed in the Grantee's Application and in Exhibit B of the NSP Standard Agreement.

Any NSP Program Income funds that are not shown to be obligated on the Grantee's next Quarterly NSP Program Income Report must be returned to the Department.

Program Income received on or after July 30, 2013, must be returned to the Department.

All program income generated by activities funded by NSP grants must be placed in a separate NSP program income account. ***(Do not commingle NSP Program Income funds with CDBG program income funds.)***

## **Reporting**

The Grantee shall comply with all NSP reporting requirements, including, but not limited to:

Section 3 Report	by July 31 of each year
Wage Compliance Report (during construction period)	October 31 and April 30
Final Wage Compliance Report	thirty (30) days after construction is completed
Funds Request Form	as funds are needed.
Quarterly Performance and Expenditure Report	due 15 days after the end of each quarter
Quarterly NSP Program Income Report	due 15 days after the end of each quarter

The Quarterly NSP Program Income Report will detail all obligated program income receipts, expenditure amounts, and specific activity detail for all expenditures.

NOTE: Any NSP Program Income funds that are not shown to be obligated on the Grantee's next Quarterly NSP Program Income Report must be returned to the Department.

## **Federal Overlay Compliance**

The Grantee shall ensure that the use of NSP Program Income under this NSP Program Income Reuse Plan complies with all federal overlay requirements, including, but not limited to:

- citizen participation
- Section 3 employment
- acquisition and relocation
- maintenance of adequate accounting and recordkeeping systems
- environmental review
- lead-based paint
- procurement
- equal opportunity
- labor standards
- property management

## **Revising This Plan**

The Grantee has the authority to amend this document with a properly noticed Council/Board public hearing, board resolution, and acceptance by the Department.