

7 PROGRAM INCOME

7.1 POLICY OVERVIEW

The Nebraska CDBG-DR program is not designed to create Program Income. This chapter discusses some possible ways that Program Income might be created, and the requirements for Subrecipients and Successful Applicants who are involved in the creation of Program Income.

Program Income is the gross income received by a Subrecipient that is generated by activities funded in whole or in part by the Subrecipient Agreement. Program Income is regulated by the provisions of 83 FR 5844 at 5853 and 5856. Successful Applicants, including non-profit and for-profit housing developers, are subject to these rules pertaining to Program Income, with slightly modified details depending on what type of project they are working on. This chapter applies regardless of when the Program Income is incurred.

Program Income generally refers to any gross income received by the Grantee (i.e., DED) or a Subrecipient of the Grantee that is generated from the activities funded by CDBG-DR funds; however, some exceptions are detailed in 83 FR 5856 at 5856 through 5857. If a Subrecipient is unsure about what counts as Program Income, they should contact their DED Program Manager. Program Income may include, but is not limited to, the following:

- Payments of principal and interest on loans created using CDBG-DR funds.
 - *Example: Repayment of loans (principal and interest) provided to a business for economic revitalization purposes or a developer for a multifamily building. Outside of the Homeownership Assistance Program (HAP) and Homeownership Production Program (HPP), Subrecipients and Successful Applicants are **not** authorized to make any loans using CDBG-DR funds.*
- Gross income from disposition by sale or long-term lease of real property purchased or improved with CDBG-DR funds or of equipment purchased with CDBG-DR funds.
 - *Example: Sale of a home or commercial property purchased with CDBG-DR funding or sale of office printers purchased with CDBG-DR funding. In the case of HPP, DED will calculate the portion of sales proceeds that must be remitted prior to providing a release of DED's construction period lien.*

In general, DED's program design will not produce significant amounts of Program Income. Only the housing programs are expected to yield Program Income, with most receipts not expected for many years. If Program Income is unintentionally generated by the Subrecipient or Successful Applicant, Program Income must be immediately returned to DED, or successor agency, or credited against the next invoice draw request.

7.2 PLANNING AND INFRASTRUCTURE PROGRAMS

The Planning and Infrastructure Match programs of Nebraska's CDBG-DR Program for DR-4420 are not designed to produce Program Income by any Subrecipient. In the case that Program

Income is inadvertently produced, **Section 7.3: Housing Programs** provides guidance regarding the requirements for reporting and returning that Program Income to DED.

7.3 HOUSING PROGRAMS

DED does not anticipate the receipt of Program Income during the term of its HUD grant for DR-4420. It is possible, however, that Program Income may be generated in three (3) ways:

- On rental projects, DED will provide assistance in the form of a loan to the property owner. Generally, those loans will be deferred for the affordability period and/or payable only from “cash flow” after a significant deferral period. When received, payments to DED on the CDBG-DR loan by the property owner are considered Program Income.
- Under HAP, Subrecipients may receive Program Income resulting from an assisted buyer pre-paying their CDBG-DR funded direct buyer assistance (generically referred to as down payment assistance or DPA). These receipts are expected to be limited, as buyers have a strong incentive to remain in the home for at least five (5) years after which their loan would be forgiven in full. Under HPP, Subrecipients or Successful Applicants will hold DPA loans and are required to remit any pre-payments to DED as well.
- Under HPP, DED may receive Program Income resulting from payoffs of the CDBG-DR “construction loan” to the Subrecipient or Successful Applicant. Payoffs will come exclusively from net or “excess” sales proceeds from the sale of an HPP-assisted home to an eligible buyer. By only providing a release of lien in return for remittance of DED calculated proceeds, DED will ensure the return of Program Income.

To the degree a Subrecipient or Successful Applicant receives any Program Income outside of the instances listed above, the terms of DED’s award will require it be remitted to DED within 30 days of receipt.

7.4 PROGRAM INCOME FUNDS AND CLOSE-OUT

Program Income incurred during an active project will be recorded in DRGR and used before additional funds from the CDBG-DR allocation are drawn from the US Treasury for any purpose. The DR-4420 grant and the projects within it will be closed out before the terms of all of the loans made under the program have been completed. Program Income is required to be reported and transferred back to DED, or any successor agency, regardless of when it is generated. All Program Income received by Subrecipients or Successful Applicants after a project is closed out is to be transferred back to DED as quickly as feasible.

7.5 REPORTING PROGRAM INCOME

If any Subrecipient or Successful Applicant generates Program Income, they are required to report it as detailed in the Subrecipient Agreement or Funding Agreement or by the request of the Program Manager. If the Subrecipient or Successful Applicant is also an awardee in any other

Nebraska CDBG program, reporting must include all Program Income generated from all CDBG funds. All reports should be submitted to DED in a timely manner as requested by DED or by the requirements established in the Subrecipient Agreement or Funding Agreement. Generally, reporting of Program Income will be included in the Quarterly Progress Report while a project is open. Subrecipients and Successful Applicants must retain a copy of each report in their files.