

CHAPTER 9 – INCOME & PROCEEDS

Chapter Overview

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Home Program Income

Program income is the income received by a grantee directly generated from the use of HOME funds. Program income includes, but is not limited to:

- Proceeds from the sale or long-term lease of real property acquired, rehabilitated or constructed with HOME funds;
- Income from the use or rental of real property owned by grantee that was acquired, rehabilitated or constructed with HOME funds, minus the costs incidental to generating that income;
- Payments of principal and interest on loans made with HOME;
- Proceeds from the sale of loans or obligations secured by loans made with HOME;
- Interest on program income; and
- Any other interest or return on the investment of HOME.

Note: Income generated by a project which is funded with program income, is also program income.

Program income is not:

- Tenant payments for renting housing units in a HOME-assisted rental property.
- Proceeds generated from a Community Housing Development Organization (CHDO) project (income generated from a project designated by the Department as a CHDO set-aside project is called CHDO proceeds).
- Funds recaptured as a result of a homebuyer property being sold within the HUD-imposed affordability period.

All HOME program income must be used in accordance with the HOME program rules. Program income never loses its identity as federal funds regardless of the number of times it is reinvested in projects.

HOME program income must be expended by the grantee before drawing down additional HOME funds.

All HOME program income must be returned to the Department, unless:

- The Department offers the option to the grantee to retain program income (HOME Contract).
- The grantee submits and the Department approves a program income reuse plan prior to release of funds.

Program Income Reuse Plan

A grantee's program income reuse plan must:

- Be approved by the Department prior to release of funds.
- Detail the specific uses and service area of program income (all uses must be HOME-eligible).
- Contain provisions that require the Department to approve all amendments to the plan.

In addition, grantees must submit Program Income Reports to the Department twice a year. See Chapter 14 – Reporting Requirements.

CHDO (Community Housing Development Organization) Proceeds

CHDO proceeds are the proceeds resulting from a CHDO set-aside project including:

- The permanent financing of a CHDO project which is used to pay off a CHDO financed construction loan.
- The sale of CHDO sponsored rental housing to a second non-profit.
- The sale of CHDO developed homeownership housing.
- The principal and interest from a loan to a buyer of CHDO developed homeownership housing.

CHDO proceeds are not:

- HOME funds recouped by a CHDO when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full HUD-imposed affordability period.

Note: Rental income, which is generated from a CHDO-owned project, does not constitute project proceeds.

All CHDO proceeds must be returned to the Department, unless:

- The Department offers the option to the CHDO to retain CHDO proceeds (HOME Contract).
- The grantee submits and the Department approves a CHDO proceeds reuse plan detailing use and service area prior to release of funds.

CHDO Proceeds Reuse Plan

A CHDO proceeds reuse plan must:

- Be approved by the Department prior to release of funds.

- Detail the specific uses of CHDO proceeds (all uses must be HOME-eligible or are housing activities that benefit low-income persons).
- Contain provisions that require the Department to approve all amendments to the plan.

Recaptured Funds

Recaptured funds are HOME funds recouped by a grantee when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full HUD-imposed affordability period. The amount of the recapture is determined by the grantee's recapture requirements contained in their Department approved program guidelines.

All recaptured funds must be used in accordance with the HOME program rules.

Recaptured funds must be expended by the grantee before drawing down additional HOME funds.

All recaptured funds must be returned to the Department, unless:

- The Department offers the option to the grantee to retain recaptured funds along with program income (HOME Contract).
- The grantee submits and the Department approves a program income reuse plan that includes the reuse of recaptured funds.

A Plan for Recaptured Funds

A grantee's program income reuse plan must:

- Be approved by the Department prior to release of funds.
- Detail the specific uses and service area of recaptured funds (all uses must be HOME-eligible).
- Contain provisions that require the Department to approve all amendments to the plan.

In addition, grantees must track and report program income and recaptured funds separately. Recaptured funds can be used like program income with the exception that they may not be used for any administrative costs since they represent a return of the original HOME investment.

This chart shows differences between program income, CHDO proceeds and recaptured funds.

	Program Income	CHDO Proceeds	Recaptured Funds
Generated	The income received by a grantee directly generated from the use of HOME funds. (See list of examples earlier in chapter)	Proceeds resulting from a CHDO set-aside project. (See list of examples earlier in chapter)	HOME funds recouped by a grantee when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full HUD-imposed affordability period.
Rules Governing Use	<p>Grantee must have program income reuse plan approved by the Department.</p> <p>Program income must be used for HOME-eligible activities and meet all HOME rules.</p> <p>Program income never loses its identity as program income regardless of the number of times it is reinvested in projects.</p> <p>All program income must be expended prior to a grantee drawing down new HOME funds.</p> <p>Program income must be reported to the Department.</p>	<p>The CHDO must have a plan approved by the Department to use CHDO proceeds.</p> <p>CHDO proceeds must be used for HOME-eligible or other housing to benefit low-income families (The Department approves the eligible uses in the plan by the CHDO).</p> <p>CHDO proceeds are not required to meet HOME rules (The Department may impose certain rules on the CHDO)</p> <p>CHDO proceeds must be reported to the Department</p>	<p>Grantee must have a program income reuse plan including use of recaptured funds approved by the Department to use recaptured funds.</p> <p>Recaptured funds must be used for HOME-eligible activities and meet all HOME rules.</p> <p>All recaptured funds must be expended prior to a grantee drawing down new HOME funds.</p> <p>Recaptured funds must be reported to the Department.</p>
Administration Costs	The Department may allow grantees to use up to 10% of the program income for administrative costs.	HUD does not restrict the use of CHDO proceeds for administrative costs, however the Department may.	Recaptured funds must not be used for administrative costs.

Common Questions Concerning Program Income

Can a recipient that received Nebraska Affordable Housing Trust Funds (NAHTF) in the past use NAHTF program income on families at 80% to 100% AMI while using their new HOME award for 80% and below?

Yes, the program guidelines for both must specify how the programs will work together. See next question.

Does program income a recipient received from CDBG, HOME or NAHTF housing activities always have to be used prior to drawing money from a new CDBG, HOME or NAHTF housing award?

No. Spending program income first only applies to the same funding source with income generated from housing activities. If CDBG award, spend CDBG program income. If HOME award, spend HOME program income. If NAHTF award, spend NAHTF program income.

What if a community is receiving program income from a previous award as a solo applicant but are now involved in a regional or 3 community award; can they keep their program income separate from the new award?

It depends on the reuse plan and if the community is the recipient on both awards. See previous question and answer.

How do you report program income on the draw form from the current award as well as from past awards?

Program income from current award is reported on Part 1 line 2 and is reflected as disbursed on Part 1 line 4 and Part II line 3. Program income generated from other awards spent as a part of current award program is reported as local funds applied on Part II line 2.