



STATE OF MICHIGAN

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NSP Program Income Management Guide

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(This document pertains to both NSP1 and NSP2.)

This policy applies to all NSP Program Income (PI) received by MSHDA and its subrecipients while the NSP Program is active and has not been closed out. HUD has not issued post-closeout guidance on Program Income. This policy will be revised or expanded to address the post-closeout Program Income use and reporting requirements of HUD.

What IS Program Income?

NSP Program Income (PI) consists of any revenue received by MSHDA OR its subrecipients from the investment of NSP funds, including (but not limited to):

- Proceeds from the sale/lease of property acquired, rehabilitated, or developed with NSP;
- Principal and interest payments on NSP loans (or the portion of the loan principle and interest payments attributable to the NSP funds if the loan was made with NSP and other funds);
- Project revenue returned to MSHDA or its subrecipients by non-subrecipients;
- Repayment of liens on NSP assisted properties (including demolition liens);
- Interest earned on Program Income held pending disposition; and
- Recapture of NSP homebuyer assistance if unit is sold during the affordability period. See "NOTE" below.

NOTE: Homebuyer Programs funded by MSHDA require a second mortgage and note to secure the amount of NSP assistance received by the buyer for down payment assistance, closing costs and principal reduction, up to the amount permitted by statute. The lien documents are between the homebuyer and MSHDA unless an alternate method of recapture is approved by MSHDA. MSHDA's lien documents are stored on MSHDA's website at www.michigan.gov/mshda. Click on "Nonprofit and Local Government, Community Development NSP."

What Is NOT Program Income?

Amounts that are received by developers for developer-owned property that are not required to be repaid to MSHDA or its subrecipients are not Program Income, including:

- Proceeds of funds raised by any MSHDA partner, subrecipient or developer that is not NSP funds;
- Net Operating Income (NOI) from rental properties owned by developers;
- Net proceeds from the sale of developer-owned units that the developer is permitted to retain; and
- Payments made on Purchase Money Mortgages by homebuyers to developers that were funded with funds other than NSP (or the portion of the mortgage payment that is attributable to funds other than NSP).

While such amounts received and retained by developer-owners of NSP assisted property are not required to be recovered as program income, NSP guidelines (and OMB cost principles) require

MSHDA to ensure that the retention of proceeds does not constitute undue enrichment to the developer. (See [NSP Bridge Notice, Federal Register dated Friday, June 19, 2009](#), p. 29224.)

To ensure that undue enrichment of developers does not occur, MSHDA will institute the following standards:

- Rental projects – Rental projects will be underwritten to determine reasonable cash flow. Excess cash flow over approved returns will be recovered under cash flow terms of the NSP mortgage, unless they are approved to be directed to operating and replacement reserves and capital improvements necessary to ensure the stability of the project for the affordability period.
- Homebuyer projects – Net sales proceeds over and above approved developer costs and reasonable developer fees are subject to recapture on closing, unless the proceeds are approved to be re-used immediately for additional NSP units as part of the approved NSP project. Developers must account for the reinvestment of proceeds as restricted funds, and report to the Grantee the NSP units receiving reinvested funds.

Use of Program Income

- Upon receipt, subrecipients are expected to commit PI to NSP-eligible projects they will complete by the program deadline in the subrecipient's agreement, or return the PI to MSHDA immediately.
- All PI must be used for activities that are authorized in the subrecipient's agreement and meet all requirements of the NSP Program.
- PI must be expended before additional NSP dollars may be drawn for any activities.
- Grantees re-using PI to complete additional projects may use up to 10% of PI received for program administration.
- Grantees are required to track the receipt, commitment and expenditure of PI on OPAL as described below.

Reporting of Program Income

All grantees are required to report all Program Income received in OPAL, regardless of whether or not the grantee is permitted to retain the funds. Grantees that are not permitted to retain Program Income will create a PI Account and record the receipt of PI as described in Steps 1 and 2 below. Grantees that are permitted to retain funds will also record the Commitment and Expenditure of PI as described in Steps 3 and 4 below.

Step 1: Create the PI Account on OPAL

Create the PI Account: Refer to Section 5 of the 'OPAL Grantee User Manual' for instructions to create and maintain a PI account.

Step 2: Record the Receipt of PI in OPAL

Upon receipt, PI should be deposited into a bank account belonging to the grantee. If the account is interest bearing, the interest earned is also counted as PI.

The grantee enters the PI received into OPAL by clicking on the "Record PI Received" tab.

1. Grantees with more than one PI Account must select the account by name using the drop-down menu in the first field. This field contains the title and the current unexpended balance of the account.
2. Enter the dollar amount of the PI received and deposited into the grantee's bank account.

3. Enter a detailed description of the project that generated the PI including the NSP Eligible Use (B, C, D, or E).

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RECORD PI RECEIVED

Instructions: Use this screen to record program income received. Select the program income account from the Account dropdown below. Type in an amount and enter a brief description of the transaction. Click the **Save** button to save your changes; otherwise click the **Cancel** button to cancel your changes.

Step 3: Record the Commitment of PI on OPAL

Since HUD requires grantees to spend Program Income prior to drawing down additional grant dollars, it is imperative that the PI be committed to the next NSP-funded project(s) for which the grantee will request reimbursement.

Showing the commitment of PI is a two step process:

- 1) Update the PI account to show dollars committed by clicking on the “Record PI Committed” tab. Don’t forget to include the Eligible Use of the project these dollars will be spent on (B, C, D, or E), as well as the address of the property. If dollars are being committed to multiple projects, enter each address as a separate commitment on the PI account.

NOTE: HUD requires PI expenditures to be linked to an eligible use. Please be certain to include the Eligible Use in the description.

NOTE: If PI is to be returned to MSHDA, the description should indicate “PI will be returned to MSHDA”. Proceed to “Record PI Expended”.

- 2) Create/Edit the budget of the project(s) you will draw on next to reflect the Commitment of PI. In cases where the total project cost is not being edited, grantees will simply replace grant dollars with PI by reducing the 'Grant Dollar Amount' by the same value inserted into the 'PI Amount'.

NOTE: OPAL will allow an activity to be set-up for 100% PI.

NOTE: OPAL will NOT allow you to decrease the "Grant Dollar Amount" to less than the amount already drawn against a line item.

| Current Activity Funding Accounts: | | | | | | | |
|---|--------------------|---------------------|-----------|---------|----------------------|---------------------------------|----|
| Grant Budget Category: | Activity: | Grant Dollar Amount | PI Amount | Balance | Unit/Structure Type: | Number of Units Funded with NSP | To |
| <input type="radio"/> Redevelop Abandoned/Foreclosed Residential Properties | Rehabilitation | \$1,000 | \$12,500 | \$1,000 | Residential | 1 | 1 |
| <input type="radio"/> Redevelop Abandoned/Foreclosed Residential Properties | Housing Counseling | \$350 | | \$350 | Residential | 1 | 1 |

IF the total project cost is also being adjusted, be sure to update the "Activity Information" tab.

Committing PI to 'Administrative' (Admin): Grantees are allowed to use 10% of the PI received for program administration but not if PI is being returned to MSHDA. In the description box state that the dollars are being committed to Admin.

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RECORD PI COMMITTED

Instructions: Use this screen to commit program income. Select the program income account from the Account dropdown below. Type in an amount and enter a brief description of the transaction. Click the **Save** button to save your changes; otherwise click the **Cancel** button to cancel your changes.

Account Summary
Account Detail
Record PI Received
Record PI Committed
Record PI Expended

Save
Cancel

Account *

Amount *

Description

47 of 500 Characters [Check Spelling](#)

* = Required Field

Step 4: Record PI Expended

PI that has been recorded as received and committed may be recorded as expended. Click on the 'Record PI Expended' tab, choose the PI account from the drop-down (if the agency has more than one); enter the dollar amount and a detailed description of the expenditure. At a minimum the description should contain the property address, the service performed or payee name, and the NSP Eligible Use (B, C, D, or E).

No changes to the activity/project budgets are needed to show expenditure.

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RECORD PI EXPENDED

Instructions: Use this screen to record program income expended. Select the program income account from the Account dropdown below. Type in an amount and enter a brief description of the transaction. Click the **Save** button to save your changes; otherwise click the **Cancel** button to cancel your changes.

Account Summary Account Detail Record PI Received Record PI Committed Record PI Expended

Record PI Expended Save Cancel

Account NSP2 / \$12500.00 *

Expense Type Projects *

Amount \$11,250.00 *

Description 234 Willot St. (B-Rehab), Payment to Cozy Heating and Insulation *

64 of 500 Characters [Check Spelling](#)

* = Required Field

NOTE: If PI is to be returned to MSHDA, the description should indicate “PI returned to MSHDA”.

Return PI to MSHDA:

Make check payable to MSHDA.
Include grant number on check stub.
Include “NSP2 Program Income” on check stub.
Mail check to the attention of your CDS at MSHDA.