



**TO:** Neighborhood Stabilization Program 1 and 2 Award Recipients

**FROM:** Michael A. Hiler, Deputy Chief, Office of Community Development

**DATE:** March 25, 2013

**SUBJECT:** Office of Community Development Program Income Policy and Close-out Procedure

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After careful review of the U. S. Department of Housing and Urban Development's (HUD) regulations and conversations with HUD staff, the following policy has been developed to assist with the proper administration of the state of Ohio's Neighborhood Stabilization Program (NSP). OCD staff has also developed a more efficient procedure to assist with the closing of all NSP grants. The following OCD Program Income Policy and Close-out Procedure applies to all NSP 1 and 2 award recipients.

## PROGRAM INCOME POLICY

### Background

Based on HUD's NSP regulations released in November 2012, entitlement jurisdictions (which the state of Ohio is considered under NSP) are required to have proper oversight of the administration of the NSP program income, along with ensuring the proper expenditure and reporting of these funds. This includes meeting the 25 percent set-aside requirement for housing projects that must benefit persons at or below 50 percent of the Area Medium Income (AMI), as this requirement is based on the aggregation of NSP program income from each non-entitlement area of the state. For more information, please see HUD's Notice of Neighborhood Stabilization Program; Close-out Requirements and Recapture on their website at <http://www.gpo.gov/fdsys/pkg/FR-2012-11-27/pdf/2012-28642.pdf>.

### General Requirements

To ensure the state of Ohio is exercising fiscal responsibility for the proper administration of the NSP funds, OCD requires that all non-entitlement grantees' program income be returned to the state at the point of close-out of the grant and any funds generated thereafter.

As outlined in HUD's guidelines, entitlement grantees will report program income to HUD as part of their CDBG program, although such funds must be used for NSP-eligible activities, meet national objectives, and meet the 25 percent set-aside requirement.

### CLOSE-OUT PROCEDURE

Since NSP grants were allocated in large amounts and produced numerous outcomes, OCD staff has developed an alternative process for closing all NSP grants. The process must be followed by entitlement and non-entitlement grantees and is outlined below.

1. Each grantee must be monitored and released by OCD staff.

2. Each grantee must complete and submit the Final Performance Report spreadsheet for outcomes, beneficiaries, and unit information. All fields on the spreadsheet must be complete with the proper information. If vacant units were reported, information for those units must be submitted to OCD when the units become occupied by means of the grantee submitting an updated spreadsheet. All unoccupied units must be sold or rented by June 30, 2013. If there are currently unoccupied units, the grantee must report to their Residential Revitalization Specialist immediately and on a monthly basis thereafter, with the status of those units until they are occupied. If you have not received the spreadsheet by email to date, please contact David Kale (please see contact information below).

**Steps 1 and 2 may occur in reverse order.**

3. OCD staff will mail each grantee the two-page financial certification after the spreadsheet has been reviewed and approved. The certification must be completed and submitted to the OCD Fiscal Section.
4. Once steps 1, 2, and 3 are complete, the grant will be closed. OCD staff will send a close-out letter, specific to each grantee detailing, if necessary, the amount of program income to be returned to OCD. Instructions for returning generated program income post close-out will be included in the letter also.
5. Non-entitlement grantees must return the specified amount of program income to OCD within 30 days of receipt of the close-out letter and continue to return any program income generated thereafter on a quarterly basis.

Entitlement grantees must begin reporting program income to HUD as part of their CDBG program upon receipt of the close-out letter.

## QUESTIONS

Questions should be directed to the following OCD staff:

Program Income Policy: Shana Garrett at (614) 466-4472

Monitoring and Releasing of Grants: Each Grantee's Residential Revitalization Specialist at (614) 466-2285 (ask for the representative by name)

Final Performance Report Spreadsheet: David Kale at (614) 752-9504

Financial Certification, Close-out Letters and Return of Program Income: Maddie Forrester at (614) 466-6980

MAH/SG/ehg