Subrecipient Manual

Version Number 1.1

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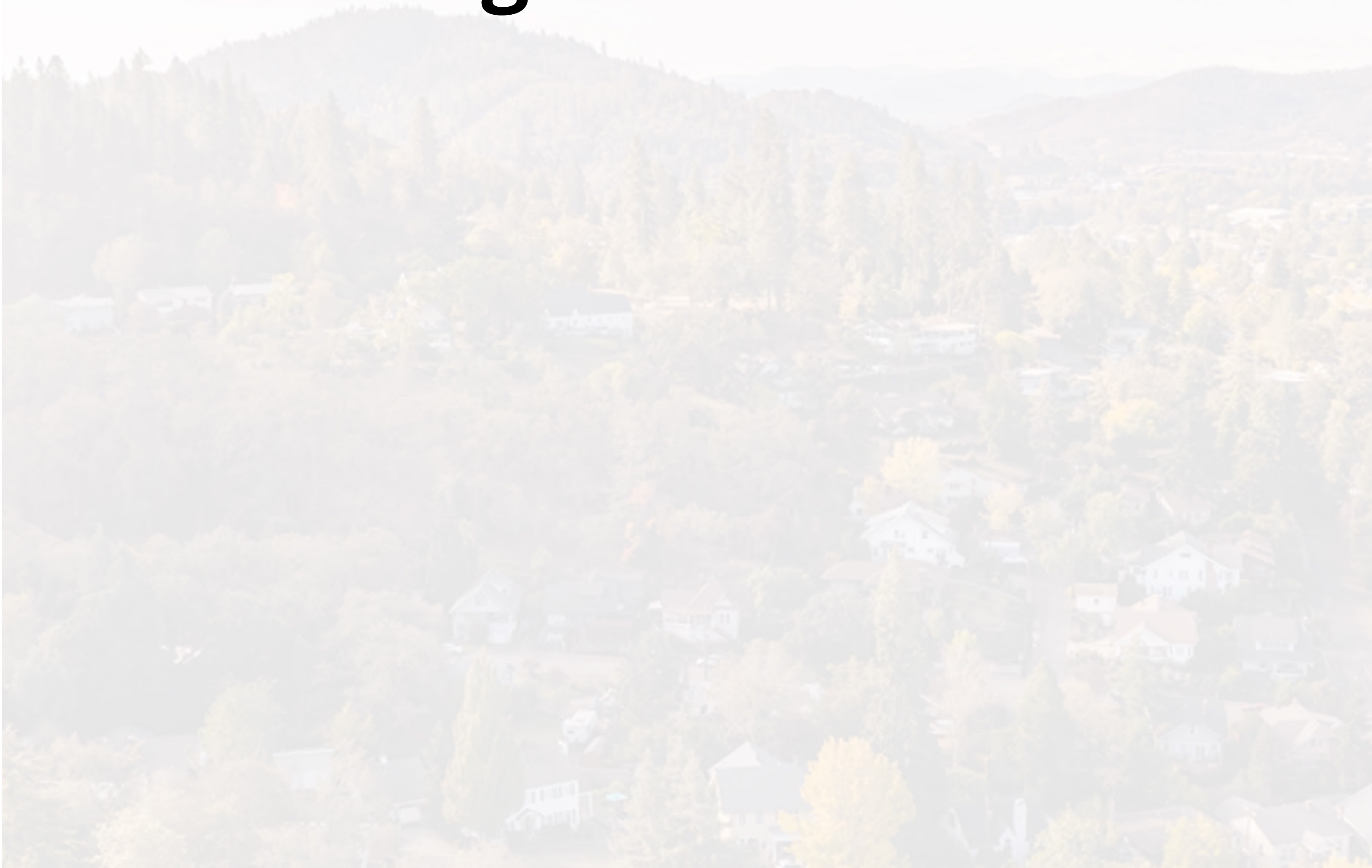

16 Asset and Property Management

Asset and property management occurs after following the requirements in Chapter 5 Procurement or Chapter 9 Acquisition and Relocation in the Subrecipient Manual. Once assets or property have been purchased, subrecipients must follow additional rules on the management of the property and specific disposition requirements.

The Federal Regulations classify property into the following categories:[1]

- **Real Property**: Land, including any improvements to and structures located on the land but excluding any moveable machinery or portable equipment. Examples of land improvements can include drainage systems, sewer systems, permanent or stationary power generators, or building emergency shelters.
- **Personal Property**: Any property *other than real property*. Personal property includes physical items (such as equipment), supplies, or intangible items (such as computer software licenses, copyrights, trademarks, and patents).
    - **Equipment**: Must have a useful life of more than one year and a per-unit acquisition cost that is greater than or equal to $10,000 or the subrecipient's capitalization level, whichever is lower or stricter.[2]
    - **Supplies**: Any physical property that does not meet the definition of equipment with a per-unit acquisition cost less than $10,000 or the subrecipient's capitalization threshold, whichever is lower or stricter. Additionally, supplies do not have to have a maximum or minimum useful life to be established.

This chapter details the requirements for use, management, and disposition of any real or personal property purchased with Community Development Block Grant Disaster Recovery (CDBG-DR) funds.

16.1 Overview

The U.S. Department of Housing and Urban Development (HUD) expects any grantee, subrecipient, or developer using federal funds to protect real and personal property purchased as federal assets.

[1] Federal definitions for the terms listed are available at 2 CFR Part 200.1 and should be checked periodically for updates.

[2] Before Oct. 1, 2024, the 2 CFR Part 200 threshold for supplies and equipment was set at an acquisition cost of $5,000.

Any subrecipient that uses CDBG-DR funds for the purchase, construction, or rehabilitation of real property is required to develop an asset management plan for that property. The type and duration of the plan will differ with the type of real property involved.

The following requirements for use, management, and disposition of property apply to all real property purchased or improved with CDBG-DR funds:

- Property can only be acquired with CDBG-DR funds for a *specific purpose* that must be approved by Oregon Housing and Community Services (OHCS) and should be made a part of the Subrecipient Agreement.
- Pursuant to 24 CFR Part 570.503(b)(7), OHCS and its subrecipients are required to restrict the use of federally funded public facilities and housing for a minimum of five years and must conduct annual monitoring of the public facilities or housing use and operations during that period.
- Pursuant to 2 CFR Part 200.311, OHCS is required to restrict the use of property acquired or improved under a federal award to be used for the originally authorized purpose as long as needed. The subrecipient must not dispose of or encumber the property's title or other interests during this time. When the property is no longer needed for the originally authorized purposes, the subrecipient should notify and coordinate any dispositions with OHCS.
- Pursuant to program policy and guidelines for the specific project and any property acquired, the subrecipient must have a plan to monitor the property for the affordability period or monitor any other programmatic requirements that apply.
- Any required affordability periods must be recorded against the real property associated with the project and monitored on at least an annual basis for the duration of the affordability period.
- For any property purchased with CDBG-DR funds, the subrecipient is required to *keep accurate records* for it (e.g., purchase date, price, location, physical description, maintenance history and condition, original and current use, and other inventory types of data).
- The subrecipient is responsible for controlling the use of the property (in accordance with its intended purpose) and taking good care of it (that is, take adequate steps to prevent its damage, theft, or loss). Subrecipients are required to provide insurance coverage for real property and equipment, as found necessary to protect the investment acquired or improved with CDBG-DR funds, provided that the property is under ownership of the subrecipient (non-federal entity). Refer to the Subrecipient Agreement for terms and conditions relating to the use of any real property under the entity's control that the subrecipient acquired, leased, or improved in whole or in part with CDBG-DR funds.

16.2 Real Property

16.2.1 Use

Real property must be used for the original approved purpose for as long as it is needed for that purpose and the subrecipient must not dispose of or encumber its title or other interests.

16.2.2 Acquisition

Projects funded by CDBG-DR are subject to both the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Section 4601 et seq. (URA) and the federal regulations found in 49 CFR Part 24 (see also section 104(d) of the Housing and Community Development Act of 1974 and implementing rules at 24 CFR Part 42 regarding relocation assistance policies for HUD-funded programs).

The URA provides for uniform and equitable treatment of persons displaced from their homes, businesses, or farms as a result of acquisition, rehabilitation, or demolition of real property for any phase of a federal or federally funded project. The URA also establishes equitable land acquisition policies.

Chapter 9 Acquisition and Relocation details the specific rules to comply with acquisition under the URA and Federal Register alternative requirements and waivers.

16.2.3 Management

16.2.3.1 Change of Use for Real Property

Real property acquired or improved with CDBG-DR funds that exceed the applicable simplified acquisition threshold defined in Chapter 5 Procurement of the Subrecipient Manual must continue to be used for an approved purpose for at least five years following the grant agreement.

A subrecipient may not change the use or planned use of the property without providing affected citizens with reasonable notice and opportunity to comment on the proposed changes and either:

- The new use qualifies as meeting one of the national objectives and is not a building for the general conduct of government,

- The subrecipient, after consultation with affected citizens that it is appropriate to change the use of the property to a use that does not meet a national objective or is not a building for the general conduct of government, or
- The subrecipient may retain or dispose of the property for the changed use if the CDBG-DR program is reimbursed or the state's CDBG program is reimbursed, at the discretion of the state.
- The reimbursement shall be in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG-DR funds for acquisition of, and improvements to, the property, except that if the change in use occurs after grant closeout but within five years of such closeout, the subrecipient shall make the reimbursement to the state's CDBG program account.

16.2.3.2 Safeguarding All Assets

Federal requirements include effective control and accountability for all funds, property, and other assets. Real property, equipment, and supplies are recognized by the generally accepted accounting principles as types of assets. Subrecipients are required to adequately safeguard all assets and ensure that they are used only for authorized purposes.

Insurance Requirements: Subrecipients must provide the equivalent insurance coverage for real property acquired or improved with federal funds as it would for property owned by a non-federal entity. For specific insurance requirements, refer to the Subrecipient Agreement for terms and conditions.

16.2.4 Disposition

Disposition can occur through the sale or long-term lease of real property purchased or improved with CDBG-DR funds. Proceeds from disposition will be considered program income, including gross income from the rental or lease of real property.

16.3 Personal Property

The federal requirements relating to property are organized according to title (ownership), use, and disposition. In general, a subrecipient’s property management system must provide for:

- Accurate records
- Regular inventories
- Adequate maintenance and control
- Proper sales procedures

16.3.1 Equipment

Subrecipients must use equipment for the approved purposes of the project during the period of performance or until the property is no longer required for the project and follow disposition requirements. Additionally, subrecipients must not encumber the equipment without approval by OHCS and must dispose of the property following the rules within this chapter.

16.3.1.1 Use

During the time that equipment is used on the project or program for which it was acquired, subrecipients must also make equipment available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with work on the projects or program for which it was originally acquired.

- First preference for other use must be given to other programs or projects supported by HUD, and second preference must be given to programs or projects under federal awards from other federal awarding agencies.
- Use for non-federally funded programs or projects is also permissible. User fees should be considered if appropriate.

16.3.1.2 Procedures for Tracking Large Property Purchases

Below are procedures for subrecipients to purchase property using CDBG-DR funding:

- To demonstrate the purchase of a property exceeding $5,000, OHCS will require subrecipients to have three bids/quotes and responses. If it is not possible to get the bid/quotes, the subrecipient will need to provide justification for sole source (e.g., if a vehicle and a lease, provide a cost/benefit analysis).
- Purchase information will be provided by the subrecipient to OHCS.
- After the award is made, provide a copy of the invoice/delivery receipt and a copy of the approval used to initiate the purchase.
- Should the subrecipient choose to change the use of the property, they must contact OHCS to ensure that proper procedures are followed. Failure to do so can result in payback of the grant award.
- Before property can be disposed of, the subrecipient should request approval from OHCS.

16.3.1.3 Management Requirements

Procedures for managing equipment, including replacement equipment, whether acquired in whole or in part under a federal award, until disposition takes place will, at a minimum, meet the following requirements:

- Property records must be maintained that include:
  - A description of the property
  - A serial number or other identification number
  - The source of funding for the property (including the Federal Award Identification Number (FAIN))
  - The name of the title holder
  - The acquisition date
  - The cost of the property
  - The percentage of federal participation in the project costs for the federal award under which the property was acquired
  - The location
  - The use and condition of the property
  - Any ultimate disposition data, including the date of disposal and sale price of the property
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- Adequate maintenance procedures must be developed to keep the property in good condition.

If the non-federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

16.3.1.4 Documentation

For any property purchased with CDBG-DR funds, the subrecipient is required to keep accurate records. Examples of records include the purchase date, price, location, physical description, title, maintenance history and condition, original and current use, depreciation or amortization, and other inventory types of data.

16.3.1.5 Insurance Requirements

The subrecipient is responsible for controlling the use of the property for its intended purpose, performing routine maintenance, and taking steps to prevent its damage, theft, or loss. Subrecipients are required to provide insurance coverage for real property and equipment, as found necessary to protect the investment acquired or improved with CDBG-DR funds, provided that the property is under ownership of the subrecipient.

Refer to the Subrecipient Agreement for terms and conditions relating to the use of any real property under the entity's control that the subrecipient acquired, leased, or improved in whole or in part with CDBG-DR funds of over $25,000.

16.3.1.6 Disposition

If equipment acquired under a federal award is no longer needed for the original project, program, or other activities currently or previously supported by a federal awarding agency (except as otherwise provided in federal statutes, regulations, or federal awarding agency disposition instructions, the non-federal entity must request disposition instructions from the federal awarding agency). The request is required if specified by the terms and conditions of the federal award. Disposition of the equipment will be made as follows, in accordance with federal awarding agency disposition instructions:

1. Items of equipment with a current per-unit fair market value of $10,000 or less may be retained, sold, or otherwise disposed of with no further responsibility to the federal awarding agency.
2. Except as provided in 2 CFR Part 200.312(b), or if the federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of $10,000 may be retained by the non-federal entity or sold. The federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the federal awarding agency may permit the non-federal entity to deduct and retain from the federal share $500 or 10% of the proceeds, whichever is less, for its selling and handling expenses.
3. The non-federal entity may transfer the title to the property to the federal government or to an eligible third party provided that, in such cases, the non-federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the property.
4. In cases where a non-federal entity fails to take appropriate disposition actions, the federal awarding agency may direct the non-federal entity to take disposition actions.

16.3.2 Supplies

16.3.2.1 Use

For supplies to be allowable costs for the CDBG-DR program, the costs incurred must be necessary to carry out an eligible activity under the federal award. Purchased materials must be charged at the actual price less any applicable credits or discounts. Additionally, supply expenses can be considered direct or indirect costs but must receive consistent treatment by the subrecipient across federal and non-federal projects and be in accordance with the generally accepted accounting principles. Subrecipients who receive donated supplies to complete the eligible activity must be used without charge to the federal award.

16.3.2.2 Management

Subrecipients must maintain effective control and accountability for all assets, including supplies, to ensure that they are used solely for authorized purchases. Subrecipients and recipients must not use the supplies acquired with the CDBG-DR funding to provide services for a fee that is less than a private company would charge for similar services. This restriction is effective as long as there is a federal interest in the supplies or as authorized by federal statute.

An example would be the purchase of supplies for an entity receiving an economic development loan. If the supplies are used to provide services, the entity would need to bill for services following market and industry standards in the private sector.

16.3.2.3 Disposition

When there is a residual inventory of unused supplies exceeding $10,000 in aggregate value at the end of the Subrecipient Agreement and the supplies are not needed for any other federal award, the subrecipient may retain or sell the unused supplies.[3] Subrecipients are required to follow sales procedures that provide for competition, to the extent practicable, and that result in the highest possible return on disposition of property per 2 CFR Part 200.311(d)(2).

HUD or OHCS is entitled to compensation for unused supplies by multiplying the percentage of the federal contribution toward the cost of the original purchase by the current market value or proceeds from the sale of the supplies. If the supplies are sold,

[3] Unused supplies are new and have not been opened or used before.

OHCS may allow subrecipients to retain up to $1,000 of the sale proceeds to cover expenses associated with the disposition of the supplies.

16.4 Examples of Asset Management Plans

16.4.1 Single Family Housing Rehabilitation/Reconstruction

Housing is not determined to have achieved a national objective until the unit is occupied or reoccupied by the owner. Verification of occupancy should be placed in the project file for each property.

The subrecipient will continue to monitor the ownership of all the properties with affordability periods until that period has expired. A copy of the executed grant agreement specifying the expiration date of the affordability period should be filed with the clerk or register of deeds for the county in which the project is located. The recordation will assist in ensuring that the subrecipient is notified if an attempt is made to sell the property before the expiration of the affordability period.

On an annual basis, public land records and/or assessor's data can be used to verify ownership and current property tax status. If a sale is found that lacked notification to the subrecipient, the owner will be contacted and the situation of the sale reviewed for potential recapture of the remaining CDBG-DR obligation. If a property is determined to be delinquent on property taxes, the subrecipient will assist the homeowner to enter a payment plan.

A sample sheet is included with this document. It lists the Disaster Recovery Grant Reporting (DRGR) number, property address, and expiration date of affordability period.
A copy of this plan must be submitted to OHCS Compliance.

16.4.2 Small Rental Rehabilitation Program

Based on the program guidelines, landlords are required to make their units assisted by CDBG-DR available to low- and moderate-income tenants for the duration specified in their grant agreement. Verification of a valid lease and occupancy of a unit by an income-qualified tenant are the basis on which a national objective is verified.

On an annual basis, each landlord must submit a current rent roll and copy of the current lease. The subrecipient should conduct a HUD housing quality standards (HQS) inspection annually as well. Upon initial lease-up, and whenever there is unit turnover, the landlord is required to provide documentation of household composition and income verification.

Appendix A is a sample report that lists the DRGR activity number, property address, and expiration date of the affordability period. A copy of this plan must be submitted to OHCS Compliance.

16.4.3 Multifamily Housing

A multifamily project is not determined to have achieved a national objective until at least 51% of the units are leased and occupied by income-qualified tenants. The subrecipient should collect a copy of the lease and tenant income and demographics for each unit leased.

Once lease-up has been achieved, the asset management plan that the subrecipients will implement for the multifamily projects involves the following:

Initial Review

- Confirm that all the elements of the initial financing on which the subrecipient's funding decision was based remain the same, including permanent loan financing and the developer's contributions.
- Confirm that demographic information is being regularly collected for tenants, including any new tenants, and that tenant turnover is being reported to the subrecipient for reporting into DRGR.

Semiannual Review

- Review actual operating costs versus the original operating pro forma. Look for variations that will negatively impact cash flow and debt service responsibilities.
- Review economic vacancy and collection numbers for increases in turnover or delays in putting vacant units back into service.
- Collect required demographic information on any new tenants.

Annual Review

- Compare actual performance to budget.
- Compare current performance to same period in prior year.
- Compare current operations to historic performance.
- Compare actual performance to projected performance.

- Compare deal performance to similar projects.
- Conduct an annual review of all on-site HQS inspections of units performed by the responsible party.
- Based on a sampling of HQS inspection reports, conduct on-site HQS inspections of a sampling of units.
- Collect annual rent roll information and demographics on all tenants.
- Look for:
  - Cash on hand
  - Accounts payable information
  - Tenant receivables
  - Repairs and maintenance expenditures
  - Operating expenses per unit
  - Debt service coverage ratio (should be greater than or equal to 1.15)

If, based on an analysis of the data described above, the projects funded by CDBG-DR have become “troubled,” the subrecipient will take the following actions:

- Notify OHCS Compliance.
- Convene all stakeholders (ownership partners, lenders, management company).
- Identify the problem(s).
- Establish benchmarks for addressing and remediating the problems.
- Develop a timeline.
- Create an action plan that will identify the responsibilities of partners and hold them accountable.

16.4.4 Infrastructure Projects

The most effective and efficient method of ensuring appropriate oversight of an infrastructure investment is to require, as a condition of funding, that a responsible entity enter a Maintenance and Operating Agreement with the subrecipient.

16.5 Regulations

The following table shows the type of property standards and provides links to the applicable regulation within 2 CFR Part 200 with an example of what type of property is included in each section as applicable.

Property Standards	Example	Refer to Citation
Insurance Coverage		2 CFR Part 200.310
Real Property	Land/Buildings	2 CFR Part 200.311
Tangible and Nonexpendable Equipment	Equipment	2 CFR Part 200.313
Tangible and Expendable Equipment	Supplies	2 CFR Part 200.314
Intangible Property	Copyrights	2 CFR Part 200.315

16.6 Appendices

16.6.1 Appendix A: Multifamily Property Tracking Sample Form

The activities listed below have their affordability period enforced as defined in Oregon's CDBG-DR Action Plan and the Grant Agreement.					
DRGR Activity Number	**Address**	**Affordability Period**	**Unit Number**	**Start of Affordability Period**	**End of Affordability Period**

16.6.2 Appendix B: Asset Management for Single Family Properties Sample Form

The activities listed below have their affordability period enforced by RECAPTURE provisions as defined by the CDBG-DR Homeowner Program Policies and Procedures.							
Single Family Homes							
Applicant ID	Street Address	City	ZIP Code	DRGR Activity Number	Affordability Period (number of years based on Action Plan)	Start of Affordability Period	End of Affordability Period

16.6.3 Appendix C: Asset Management Report Sample Form

Asset ID Number	Asset Name	Asset Description	Purchase Date	Cost	Useful Life