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To: jstary1@cox.net
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New Alternatives Newsletter

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What is CDBG?

The acronym is short for Community Development Block Grants. This is a funding source that HUD makes available to municipalities for their own use in financing community improvements.



Why, you might ask, would we be interested in CDBG funds? The answer is because they are available to your property on a competitive basis. Depending on the criteria established by the municipality, your property may qualify for funds to improve the exterior, common areas, grounds, sidewalks and other expenses.

Usually the funds are used for improvements that would benefit the entire community, streetscape modernization comes to mind as does replacement of deteriorated sidewalks. Your property may qualify despite having a HUD insured mortgage or rental assistance. We suggest you contact your city hall and local councilperson to discuss how you can participate in this program. You may be surprised at what you find out.

You Ask, We Answer!

This question comes from a Manager in Cleveland, OH.

"Is it just me or do the income limits for HUD and Tax Credit look the same?"

What are Residual Receipts?

Many people think that only non-profit projects can have Residual Receipts. In actuality, profit motivated projects with mortgages insured under Sections 221(d)(3), 221(d)(4) and 236 can also be required to have a Residual Receipts escrow account for their properties.

What are Residual Receipts? Specifically, they are the funds left over at the end of the fiscal year after making allowance for all eligible expenses.

Who is required to deposit Residual Receipts? Both For-Profit and Non-Profit Projects can be required to deposit Residual Receipts. Affected projects are:

- Section 236 Projects - Everything in excess of a 6% return on their initial investment.
- Section 221(d)(4) may be required to establish a Residual Receipts account as a condition of their Section 8 contract (See Note below)
- Section 221(d)(3) are in a similar situation. (See Note below)

Note: Some of the contracts written in the 1970's and 80's limited distributions to either 6% or 10% of initial equity depending on if they served seniors or families, respectively.

Your CPA should be the first person you talk to about Residual Receipts. The CPA is charged with verifying that you are in compliance with your

You're right. The Median Income is the same in both schedules, but the difference is that the Section 8 ranges are 30%, 50% and 80%. For Tax Credit those ranges are 50% and 60% making them NOT interchangeable.



We welcome ANY and ALL questions! Email us at info@newalt.net

obligations to HUD. But the CPA may not know all the ways you can tap Residual Receipts to offset certain operating expenses. You also need to know who the Residual Receipts belong to, it isn't always the property owner!

We'll be glad to talk to you about how these issues affect your property and help you plan the best use of this valuable asset. Why not give us a call today? (216) 521-9514

Compliance Corner

The Issue:

What do you do when you can't find the answer to a situation? You've researched the HUD manual and talked to the experts. You have exhausted your options and still do not have an answer.

The Solution:

You need to create a sound, consistent plan and follow through with the plan. Document everything, making sure the plan and explanation of the plan is concise. Being prepared will make defending your decision that much easier at your next MOR.

Here are few links that may help:

[Ohio's Association of Area Agencies on Aging](#)
[Ohio Department of Aging | Services](#)

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