

Louisiana Disaster Recovery and Mitigation Grant Implementation Manual

Chapter 12: Property Management



Louisiana Division of Administration

**Office of Community Development –
Disaster Recovery**

Table of Contents

1. Introduction	1
1.1 Regulations	2
2. Definitions	4
3. Real Property	5
4. Personal Property – Equipment	6
4.1 Title	6
4.2 Use	6
4.3 Disposition	6
5. Personal Property – Supplies	8
6. Personal Property – Intangible	8
7. Management Requirements	9
8. LOCD-DR Exhibits	9

1. Introduction

If the Community Development Block Grant – Disaster Recovery (CDBG-DR) or Community Development Block Grant – Mitigation (CDBG-MIT) funds are used to acquire real or personal property, the subrecipient is responsible for ensuring the following:

- The property continues to be used for its intended and approved purpose.
- Proper records are maintained to keep track of the property.
- Steps are taken to maintain the property.
- If the property is sold, the Louisiana Office of Community Development – Disaster Recovery (LOCD-DR) is reimbursed for the CDBG-DR or CDBG-MIT share of the property's value.

Subrecipients must tag and log all property valued greater than \$1,000 and update inventory records (see Exhibit 12-1 for an example of a property control tracking log).

This policy about the ownership, management, and disposition of property is complicated by two facts: First, the rules about property management and disposition differ slightly, depending on whether a subrecipient is a public sector entity. (The rules are generally more explicit for governmental entities). Second, the rules depend on the nature of the property. Real property (e.g., land, buildings) is treated differently than personal property (e.g., equipment, supplies, intangible property such as copyrights).

This chapter outlines the rules that subrecipients must follow regarding the ownership, management, and disposition of real and personal property. Despite the differences, several key themes that are applicable to most property should be emphasized:

- Subrecipients may only acquire property with CDBG-DR or CDBG-MIT funds for a specific purpose that must be approved by LOCD-DR and made part of the subrecipient's Cooperative Endeavor Agreement (CEA).
- Subrecipients must continue to use the property for the approved purpose.
 - In the case of personal property, this is generally for as long as it is needed if the subrecipient organization owns it and the property is needed for the CDBG-DR or CDBG-MIT activity.

- In the case of real property (acquired or improved with CDBG-DR or CDBG-MIT funds in excess of \$25,000), this is generally for at least five years following the expiration of the Subrecipient Agreement.
- If the property is owned, subrecipients must maintain accurate records for the property (e.g., purchase date, price, location, physical description, maintenance history and condition, original and current use, other inventory data).
- Subrecipients must control the use of the property in accordance with its intended purpose and take care to protect it (i.e., take adequate steps to prevent damage, theft, or loss).
- If the property is no longer needed, subrecipients must dispose of the property according to specific rules (e.g., paying back LOCD-DR, accounting for program income).

1.1 Regulations

The federal requirements related to property are organized according to title (ownership), use, and disposition. In general, the subrecipient's property management system must provide for the following:

- Keeping accurate records.
- Conducting regular inventories.
- Providing adequate maintenance and control.
- Ensuring proper sales procedures. Subrecipients must follow sales procedures that provide for competition, to the extent practicable, and that result in the highest possible return.

The following table summarizes specific sections of the regulations and how they apply to particular categories of property and shows the relevant regulations that affect its ownership, use, and disposition. Subrecipients that were awarded CDBG-DR funds prior to December 26, 2014, should follow [24 Code of Federal Regulations \(CFR\) 85](#). Otherwise, follow [2 CFR 200](#).

Table 1: Rules for Property Management and Disposition

Property Management and Disposition Regulations 24 CFR 570.503—all subrecipients (subs) 2 CFR Part 200 Subpart D (200.310 through 200.316)	Real Property (Acquired with CDBG funds)	Personal Property Acquired with CDBG funds		
		Tangible		Intangible
		Nonexpendable	Expendable	
<i>Typical Example</i>	<i>Land/Buildings</i>	<i>Cars/Equipment</i>	<i>Office Supplies</i>	<i>Copyrights</i>
Ownership	See property acquisition, 24 CFR 570.201(a)and(c) , 24 CFR 570.202 , 24 CFR 570.203(a)	Vested in subs Post 12/26/2014: 2 CFR 200.313(a) and (b) Prior to 12/26/2014: 24 CFR 85.32 24 CFR 84.34	Vested in subs Post 12/26/2014: 2 CFR 200.314 Prior to 12/26/2014: 24 CFR 85.33 24 CFR 84.35	Nonexclusive license to govt. Post 12/26/2014: 2 CFR 200.315(b) Prior to 12/26/2014: 24 CFR 85.34 24 CFR 84.36
Use & Management	24 CFR 570.505 governs subrecipients; subrecipients follow 503(b)(7) *	Post 12/26/2014: 2 CFR 200.313(c) and (d) Prior to 12/26/2014: 24 CFR 85.32 24 CFR 84.34	Post 12/26/2014: 2 CFR 200.314 Prior to 12/26/2014: 24 CFR 85.33 24 CFR 84.35	
Disposition	24 CFR 70.503(b)(7)	Generally, fair-market value or proceeds returned to subrecipient; with subrecipient approval, proceeds retained as program income Post 12/26/2014: 2 CFR 200.313(e) and (f)	Residual inventories Post 12/26/2014: 2 CFR 200.314 Prior to 12/26/2014: 24 CFR 85.33 24 CFR 84.35	Nonexclusive license to use remains with govt.

Property Management and Disposition Regulations 24 CFR 570.503—all subrecipients (subs) 2 CFR Part 200 Subpart D (200.310 through 200.316)	Real Property (Acquired with CDBG funds)	Personal Property Acquired with CDBG funds		
		Tangible		Intangible
		Nonexpendable	Expendable	
<i>Typical Example</i>	<i>Land/Buildings</i>	<i>Cars/Equipment</i>	<i>Office Supplies</i>	<i>Copyrights</i>
		Prior to 12/26/2014: 24 CFR 85.32 and 24 CFR 570.502(a)(8) 24 CFR 84.34 as modified by 570.502(b)(3)(vi)		

* [570.501\(b\)](#) requires that units of general local government participating with, or as part of, an urban county, or as part of a metropolitan city, follow the same requirements as are applicable to grantees/subrecipients, except that the 5-year period identified under [570.503\(b\)\(7\)\(i\)](#) begins with the date that the unit of general local government is no longer considered by HUD to be a part of the urban county or metropolitan city, instead of the date that the subrecipient agreement expires.

2. Definitions

Refer to these definitions of terms used within this chapter:

1. **Expendable personal property:** All tangible personal property other than non-expendable personal property.
2. **Non-expendable personal property:** Tangible personal property that has a useful life of more than 1 year and an acquisition cost of \$300 or more per unit.
3. **Personal property:** Any kind of property other than real property. Personal property can be tangible (e.g., supplies, furniture, equipment) or intangible (e.g., copyrights, patents, inventions).
4. **Program income:** Gross income received by the subrecipient directly generated from the use of CDBG-DR or CDBG-MIT funds or matching contributions.
5. **Real property:** Land, including all natural resources and the permanent buildings on it.

3. Real Property

Subrecipients' CEAs must explicitly define the intended use of any real property acquired or improved with CDBG-DR or CDBG-MIT funds exceeding \$25,000.

The following conditions apply to such real property:¹

Federal Regulations:

¹ [24 CFR 570.503\(b\)\(7\)](#)

- It must continue to meet one of the CDBG-DR or CDBG-MIT program's National Objectives for at least five years following the expiration of the CEA (or longer if specified in the CEA by LOCD-DR).
- If a National Objective is not met within this timeframe, subrecipients must reimburse LOCD-DR for the current fair market value of the property, less any value attributable to non-CDBG funds.
- In addition, when subrecipients acquire or improve real property with CDBG-DR or CDBG-MIT funds exceeding \$25,000, subrecipients are prohibited from altering the use or planned use of the property (including its intended beneficiaries) without first notifying affected citizens, providing them with an opportunity to comment, and determining one of the following:
 - The proposed new use fulfills a CDBG National Objective and it does not provide for the general conduct of government.
 - The proposed new use is deemed appropriate after consulting with affected citizens but does not meet a National Objective. In this case, subrecipients must reimburse the CDBG-DR or CDBG-MIT program for the current fair market value of the property, less the portion of the value attributable to non-CDBG funds used in the acquisition or improvements.

The use of real property for programs under LOCD-DR's jurisdiction is governed by [24 CFR 570.505](#).²

Federal Regulations:

² [24 CFR 570.505](#)

NOTE: Property acquired through a Buyout Program is subject to a perpetual Conservation Servitude that runs with the land. This servitude permanently restricts the property's use in order to protect natural floodplain values and preserve it as open space.

4. Personal Property – Equipment

4.1 Title

The title to equipment that subrecipients have acquired with CDBG-DR or CDBG-MIT funds is vested in a subrecipient's organization, subject to the conditions described in Subsection 4.2 below.

4.2 Use

Subrecipients must use equipment purchased with CDBG-DR or CDBG-MIT funds, or other forms of federal assistance, primarily for the program or project for which it was originally acquired, as long as the equipment is needed. This requirement applies regardless of whether the program or project continues to receive federal funding.

Subrecipients must also make the equipment available for use in other projects or programs that are currently or were previously supported by federal funds, provided that such use does not interfere with the original project's work or objectives.

Additionally, subrecipients are strictly prohibited from using CDBG-DR or CDBG-MIT acquired equipment to provide services for a fee in a manner that creates unfair competition with private companies offering equivalent services, unless explicitly authorized by federal statute.

With the approval of LOCD-DR, subrecipients may also use equipment acquired using CDBG-DR or CDBG-MIT funds as a trade-in toward the acquisition of replacement property.

4.3 Disposition

When subrecipients no longer need original or replacement equipment acquired with CDBG-DR or CDBG-MIT funds for the original project or program or for other activities currently or previously assisted with federal funds, subrecipients must either:

- Transfer the equipment to LOCD-DR for the CDBG-DR or CDBG-MIT program, or
- Retain the equipment only after compensation to LOCD-DR.¹

Federal Regulations:

¹ [2 CFR 200.313\(e\)](#)

The following rules of disposition will apply to subrecipients:

- Subrecipients may retain, sell, or otherwise dispose of equipment with a current per-unit fair market value of less than \$10,000 (for subrecipients awarded after December 26, 2014) or \$5,000 (for subrecipients awarded prior to December 26, 2014) **after notice to LOCD-DR.**
- Subrecipients may retain or sell equipment with a current per-unit fair market value of \$10,000 (for subrecipients awarded after December 26, 2014) or \$5,000 (for subrecipients awarded prior to December 26, 2014) or more **after notice to LOCD-DR,** with LOCD-DR having the right to compensation in an amount equal to multiplying the current fair market value or the proceeds from the sale by the federal share (percentage) of the original acquisition price of the equipment.
- LOCD-DR reserves the right to transfer the title of the equipment to a federal agency or a third party to be used in other activities currently or previously supported by the agency.²
- In addition, in all cases when equipment purchased with CDBG funds is sold, the net proceeds are considered program income. For additional guidance on program income, see the following:
 - Chapter 5 – Financial Management
 - [24 CFR 570.502\(a\)\(6\)](#)
 - [24 CFR 570.504](#)

Federal Regulations:

² [2 CFR 200.313\(e\)\(3\)](#)

5. Personal Property – Supplies

For awards made on or after December 26, 2014:

When a CEA or award from LOCD-DR is terminated, subrecipients must assess whether there is any residual inventory of unused supplies with a total aggregate fair market value exceeding \$10,000. If so, and if the supplies are not required for any other federally sponsored program or project, subrecipients may retain or sell the supplies. LOCD-DR is entitled to compensation in an amount calculated by multiplying the percentage of the CDBG-DR or CDBG-MIT contribution toward the cost of the original purchase by the current market value or proceeds from the sale.

The use of personal property for programs under LOCD-DR's jurisdiction is governed by [2 CFR 200.314](#).

For awards made prior to December 26, 2014:

When a CEA or award from LOCD-DR is terminated, subrecipients must assess whether there is any residual inventory of unused supplies with a total aggregate fair market value exceeding \$5,000. If so, and if the supplies are not required for any other federally sponsored program or project, subrecipients must compensate the LOCD-DR for the share of such supplies that were acquired with CDBG-DR or CDBG-MIT funds.

6. Personal Property – Intangible

The federal government reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use, for federal government purposes, the copyright to any work developed with CDBG-DR or CDBG-MIT funds, and any rights that a subrecipient or a contractor purchases with CDBG-DR or CDBG-MIT support.^{1,2}

Federal Regulations:

¹ [2 CFR 200.315](#)

² [24 CFR 85.34](#)

7. Management Requirements

For equipment (including replacement equipment) acquired in whole or in part with CDBG-DR or CDBG-MIT funds, subrecipients must have procedures and control systems in place to:

- Keep adequate equipment records, which must include the following information:
 - Property description
 - Identification
 - Funding source (grant number)
 - Title holder
 - Acquisition date and cost
 - Federal share of the cost
 - Location, use, and condition
 - Unit acquisition cost
 - Disposition data
- Conduct a physical inventory of the property at least every two years,¹ with a reconciliation of the inventory results with the equipment records.
- Ensure adequate safeguards for preventing loss, damage, or theft of property.
- Maintain the equipment in good condition.

Federal Regulations:

¹ 2 CFR 200.313(d)(2)

To adequately manage all property, subrecipients must maintain all property details on the Property Control Tracker (see Exhibit 12-1 for the Property Control Tracker form).

8. LOCD-DR Exhibits

Exhibit	Description
Exhibit 12-1	LOCD-DR Property Control Tracker