NSP Webinar Transcript: Economic Development and the New NSP Rules
Tuesday, October 22nd, 2013
2:00-4:00pm EDT

Doris: Good afternoon. My name is Doris and I will be your conference operator. At this time I would like to welcome everyone to the Economic Development and the new NSP Rules Webinar. All lines have been placed on a listen only mode. Later we will conduct an interactive question and answer session. If you would like to ask a question, during that time simply press star and then then the number one on your telephone keypad. You'll hear a tone acknowledging your request and a prompt to record your name and if you would like to withdraw your question press star and then the number two. I would now like to turn the call over to George Martin. Mr. Martin, you may begin your conference.

George Martin: Thank you Doris. Hi everyone. Thank you for joining us. My name is George Martin. I'm with Training and Development associates and I will be providing technical support for today's presentation and question and answer session. I'm going to hand over the call in moment to Eric, who will be leading the presentation. But before that, I'm just going to spend a minute going over some technical aspects of today's webinar.

I'd like to start by reminding everyone to please turn off your cell phones and also close your email and other programs you have running on your computer so that you can give the webinar your full and undivided attention. If you have any major technical issues during the presentation, please feel free to call me at the number listed here or my colleague, Kathy Kaminski, at the number listed there as well.

As Doris just explained, you've all been muted during the presentation but you will still be able to ask questions to the presenter. There are two ways to doing that. You can do it verbally or using the question and answer tool on the WebEx Webinar. To ask a question verbally, as Doris said, when you know you have a question you can press star one on your telephone and you'll be added to the queue. We will be taking verbal questions at several points throughout today's presentation. So you will remain in that queue until it is your turn to ask a question, in which case Doris will introduce you over the line to the presenters so that you can ask your question. If your question is answered during the presentation before you get the chance to ask it, you can remove yourself from the queue simply by pressing star two.

And, as I said, you can also ask questions in a written format using the WebEx Q&A tool. If you look on the toolbar on the right-hand side of your WebEx screen you will see a question and answer panel. There is a field on that panel where you can type a question to send to the presenters. Please make sure, before you send the question, that you are sending the question to all panelists so that we can all see it and make sure your question gets answered.

At this time I am going to turn the presentation over to my colleague, Eric Chatham.

Eric Chatham: Thank you George. Good afternoon everyone. Again, my name is Eric Chatham. I'm also with Training and Development Associates. I'll be the lead presenter for this afternoon's conference. Also joining us from HUD NSP staff, we have Mr. John Laswick, David Noguera, Hunter Kurtz, and Ryan Flanery. Good afternoon gentlemen.

John Laswick: Hey Eric.

Eric Chatham: And as George said, he and Kathy Kaminski will be providing the webinar host and technical support as he's gone through already. Before we dig in too deep on today's topic of economic development and the new NSP rules, the gentlemen from HUD have a few updates they'd like to share with us about DRGR. So I'll turn it over to them first.

John Laswick: Thanks. Yes this is kind of more about completion of projects and accomplishments than specifically about DRGR. But we did have Ryan join us for a few minutes too. This is John Laswick. We have been looking at the reports of projections and actual accomplishments over the past year or so and are starting to take a closer look, and you will hear more from us about this subject. We wanted to take this opportunity because KPRs are due next week, to remind you to take special care that you're reporting correctly. I'm going to give you a couple of examples from communities that will remain anonymous to show you kind of the two sort of major categories of problems that we're having.

One is a larger grantee with close to 3,000 projected units and actual accomplishments of close to 1100 units. However, they have drawn 113% of their grant. And so when we take a look at the actual verses projected I come up with a percentage, and that's 36%. Then we divide that by the 113% that they've drawn down. We come up with a percentage of 32% accomplishments being reported against 113% expenditures. In this particular case I can imagine that a lot of those units are still being completed and occupied and that's fine. We want you to be careful to report as much as you legitimately can but we also want to know in those cases if you're having a problem because if there obstacles in your market, if there are disposition barriers, price barriers, financing, or other kinds of issues we can get you some technical assistance to get through that.

The other example, and I'm just guessing here, but they show 881 projected units and actual accomplishments of five. Meanwhile, they have drawn 100%

of their grant. Now, in this case, I think that probably is more of a reporting problem. They probably have accomplished a lot more than five units but they're not showing up in the right place yet. So we sent out a listserv notice a couple of weeks before the shutdown and we will be following up on this more in this current fiscal year. But as you go in to do your QPRs, please keep in mind that we are only counting accomplishments in four categories.

This doesn't mean you can't report in more than four categories because of activities, but we are only counting accomplishments listed under clearance and demolition – most of those are finished now, homeownership assistance, rehabilitation and reconstruction, and new construction. Those four categories, all your projects should show up at least in those four categories. We have a magical process that Ryan calls deduplication that looks at the addresses and takes all and treats them all as one. So you don't have to necessarily eliminate reports. But you want to make sure that you have all your projects showing up that are completed and occupied in those four categories – demolition, homeownership assistance, rehabilitation, or new construction. So Ryan, do you want to expand on that a little bit?

Ryan Flanery: I just want to…I use the term all and there may be certain situations where you actually did perform only an acquisition for example. So you acquired the property, met a national objective, and then handed it off to somebody else to redevelop it for a housing project that does meet a national objective, though you didn't put any money into it. You could potentially be doing land banking activities which are fine, right, but eventually it will meet a national objective, probably under one of those four activity types.

I think the term really should be most. It is most activities should fall under those. And if it doesn't then that's something you're going to want to talk to your rep about and they can communicate to headquarters about because it's going to be an outlier. But by in large we looked at those four activity types because they covered almost everything that were being done under NSP and we felt that those activity types were less likely to be double counted. This is just through a lot of research on our end.

So you know, most of the problems are going to arise when you have a situation where you're reporting something that should be a rehab under disposition, for example, or under acquisition or you know whatever it might be. That's where you really want to look at am I reporting this correctly? Am I reporting it under the correct activity type? Those outliers, talk to your rep. Talk to headquarters about them. We can deal with those on a one-by-one basis.

John Laswick: Right, well for things like land banks, a lot of those are in there as an area of benefit perhaps on the frontend national objective. But right, we want you to report your accomplishments. You may not have accomplishments yet and that's fine. But what we want to see is the information in the reports as accurate. Let me just mention one thing here. We run these numbers every quarter and through June we actually had overall 60.3% of projected units were completed, which is pretty damn good. That's overall, that's NSP 1, 2, and 3. The total draws for all those programs as a percentage of the original grant amount is 104%. So we're not off radically on a sort of aggregate bases, but there's some very sort of strange looking numbers – a lot of zeros showing up where suspect that there's actually activity.

So try to find out: A.) if there's activity, is it reported in the right place; and B.) if there's not activity or if you don't have an accomplishment, do you need some help and get ahold of us.

Ryan Flanery: If you do need help, we've been recommending you go to the DRGR ask a question site because those folks working that desk – Kathy is one of them and Eric as well – are really good at what they do. They're aware of this issue and we've discussed it quite a bit. They'll be able to help you out to A.) determine whether or not you should be reporting it differently, B.) how you need to restructure things in this system to enable you to report it property, and then C.) actually going through that process of doing it with you. So shoot them an AAQ question if you do suspect that you need to change higher reporting or that you might find under this group of grantees that are maybe reporting incorrectly.

John Laswick: Or if you've got a programmatic problem, some kind of obstacle to disposition we have a new disposition toolkit which is kind of a set of pieces of information that we put together over the last couple of years. We also still have direct technical assistance for those of you who are really struggling with that. So help is available. We don't want to get into one of these situations where there's been a lot of under reporting and then you know we have these allegations that there's problems where there really aren't.

Ryan Flanery: I just want to quickly plug the NSP production reports that are on the One CPD Resource Exchange. If you want to know what it is that we're seeing from our reporting standpoint, go ahead and pull those down and you can select by grantee and you can take a look at what it is we're seeing. If you're showing all zeros but you know you've accomplished a lot, that might be an indicator that you're not reporting exactly how…what we're looking for. So it's a good resource to take a look at.

John Laswick: Yeah, we use that too. Every grantee is listed in those four categories. That's a good point. Just quickly, are there any questions on this particular topic before Ryan has to leave? I mean we do have Eric and Kathy as well, but if there are any quick questions on this subject. We wanted to kind of get a plug in for this. We appreciate TDA's forbearance on their presentation.

George Martin: Doris, are there any people waiting to answer questions over the phone?

Doris: Not yet, but I can go ahead and re-prompt to see if anyone does.

George Martin: That would be fine.

John Laswick: There’s a written in question, at least one here.

Doris: If you would like to participate in the interactive question and answer, please press star then the number one on your telephone key pad. You will hear a tone acknowledging your request and a prompt to record your name. Again, that is star then the number one. You will hear a tone acknowledging your request and a prompt to record your name.

George Martin: While we're waiting John, we do have some written questions.

John Laswick: Yeah, I was just looking at those.

George Martin: The first one reads are we required to meet impact scores that were generated by the NSP3 target area maps? We are looking into amending our NSP3 target areas because existing target areas no longer have inventory. If we create new target areas will that generate a higher score?

John Laswick: Yeah, that’s a good question. We recently updated all of the information for the maps with much newer and more sophisticated data. The maps do represent better information and newer information. They work in the same way that the NSP3 maps did, which is that you just go in and draw the boundaries of an area that you want. I believe that we said that in order to amend your proposal your new area has to meet the same score, you know the same minimum score that you had to meet. Let’s say it was a 17 or something like that. But you don’t have to average them over the previous grant. So your freestanding, new addition, let’s say you want to add a census tract or something like that, it just has to qualify on the basis of the threshold requirements for your state.

I mean, I think that’s workable. It’s not perfect. I mean we had a case in California where this particular grantee just could not find an area that made sense for them. But that was kind of a high cost area too. So, I think most communities are going to be able to draw a map that actually works for them. It’s much easier. If you're just an NSP1 or 2 grantee, you'll find this far easier than the process you went through. For NSP1 I guess it’s just recommended that you use the map. You'd be crazy not to really.

George Martin: John, we have another written question. This one reads we submitted an updated activity plan in the beginning of October, the shutdown occurred, and now our representative is out on assignment. What do we need to do to get approval completed in order to submit our QPR?

John Laswick: Yeah, so for an action plan, I guess assuming that you're not one of the headquarters managed for grants, so you would be working through your field office. I think you need to call the CPD director and say look, my CPD rep isn't available. I need to have an action plan amended, and let them try to find somebody who could do that. If they are stuck, they could call us. But yeah, I don't think any…I think relatively few people are authorized to make those changes outside the field offices. That's really where you got to go. But if that's not working for you, send us an email or call us or something and let us know.

George Martin: Great. Doris, did anyone submit any questions over the phone?

Doris: No sir. We have no audio questions at this time.

George Martin: If all the HUD folks are done with that update, we can turn it over to Eric.

John Laswick: Yes, thanks. Thank you Ryan.

Ryan Flanery: Thank you guys.

Eric Chatham: Moving forward into today's topic, if you haven't already accessed the materials so you can download them to your computer for later, you can find the materials for today including the PowerPoint slides on the One CPD Resource Exchange. No link is listed here for you. Click on the calendar tab and locate today's webinar. Click get credit and access webinar materials. Those will be posted from here on out.

Moving forward for today's topics of discussion, the key topic of course is how are economic development activities now eligible under NSP rules and regulations? What eligible use categories allow for NSP1, NSP2, and NSP3 grantees to meet the new national objective? And how can previously established activities be modified to meet the new national objective? Finally, how do grantees properly report the jobs created meeting the new national objective in DRGR?

The NSP Close-Out Notice dated November 27, 2012 added special economic development opportunities as an eligible activity for NSP grantees. This specifically added the ability for grantees to use economic development activities to fulfill LMMI National Objective by creating and/or retaining jobs as part of the project. This of course didn't change that grantees are still able to use economic development projects to fulfill area benefit or limited clientele benefit for low to moderate income persons as well. These activities of course can be carried out singularly as the sole beneficiary national objective or they can be carried out in mixed use projects as we'll demonstrate later in the presentation.

Please note that subject properties still must meet all other NSP requirements regarding eligible acquisition and related expenses. We'll go into this further in the presentation. But the new national objective does not change anything about a property being eligible or not eligible.

So in general, NSP projects must always fit an eligible use, always be an eligible activity, and always – what we're editing today – always meet a national objective. Are there any questions so far? Doris, do we have any verbal questions at this point?

Doris: No sir. There are no verbal questions in queue at this time.

Eric Chatham: Very good. Thank you. Then, we'll continue on. The new eligible use categories for NSP1 allow economic development activities are eligible under Use B: or acquisition/rehab of abandoned or foreclosed residential buildings, or eligible Use E: acquisition/rehab/redevelopment of demolished or vacant property of any type. NSP2 and 3 grantees however are only eligible Use B would be applied to those grantees.

As sort of a recap, how LMMA might be useful, subject project would be located in predominantly LMMI income neighborhood and serve LMMI residents. A simple example would be a grocery store in those communities, again serving LMMI residents in the area.

And the new one, meeting a national objective LMMJ would involve employment of persons, the majority of how would be LMMI individuals. And example here would be an in-home daycare center that creates or retains jobs principally for LMMI persons. Again, this would be under eligible Use B only. The subject property before being acquired and rehabbed for this use would have to meet the abandoned for foreclosed residential property criteria.

And then finally, limited clientele. Again, this use was previously eligible and would involve faculties designed for use predominantly by LMMI persons or families. And example here would be a for-profit medical clinic, but it's designed to serve patients on Medicaid or Welfare, which would qualify as limited clientele.

George, do we have any written questions at this time?

George Martin: I do not see any written questions at this point. Please remember everyone if you want to submit a question and you want to do that in the written format, you can use the Q&A panel on the toolbar to the right of the WebEx Webinar screen. Just be sure when you're sending the question that you send it to all panelists. Doris, do we have any questions over the phone - anyone waiting to ask a question over the phone at this time?

Doris: Yes sir, just a moment while we get their name.

George Martin: Great, thank you.

Doris: Okay. We didn't get their name. Caller, your line is open.

Caller 1: These examples that have been given, they're not familiar sounding to me whatsoever. Are they just for NSP2 which was more to do with commercial? I'm an NSP3 grantee.

John Laswick: No, these are for all three programs. NSP1 has probably a little more flexibility, but you could still do it under eligible Use B in NSP3.

Caller 1: But all of our target areas are residential. I can't see any of those fitting into a residential area without rezoning.

John Laswick: Yeah it is sort of limited. But some of these things, like a home daycare, can fit into many communities have zoning that allow a certain level of home-based daycare.

David Noguera: Home-based business.

John Laswick: Right. A hair salon and that type of things, you know that's kind of…a lot of people have historically operated those in their basements. You know, I for a long time thought this is going to be very small scale applications but I have seen some projects that are being kicked around where it was a multiple family building with space for medical offices, actually pretty good scale things. But yeah, I think the fact that it's limited to eligible Use B for NSP2 and 3 is going to cut down on your range of possibilities.

David Noguera: Yeah, because it starts out as residential and then depending on your zoning, that'll limit what you can do.

Caller 1: Yeah, and I'm just thinking at this late date that's a time issue. Okay, well thanks for providing that information.

John Laswick: Well I mean you know, you may have program income down the line and it may be something you can work out or you know sometimes you get a residential lot that's adjacent to or behind a commercially zoned street, for example, and maybe they need some extra parking. So you could do some parking that would benefit the business. It might still require rezoning as you say, but I think they're going to be kind of selective. You're going to have to be kind of selective in how you apply this.

Caller 1: Isn't there always a burden that you must be able to document the use is by…and what is that percentage? I hear you say predominantly, but isn't it like over 50% have to be low income?

John Laswick: Well, think about this. I mean, Hunter was just pointing out it's low, moderate, or middle income. So it's over 50%. But I mean that goes up to 120% of area median.

Caller 1: Okay.

John Laswick: You know roughly that's 60% of your population. So I don't think for a metropolitan area, for a central city in a metropolitan area it's not unusual for most of their neighborhoods to qualify for that.

Caller 1: Okay, thank you very much.

George Martin: We also have a written question that came in, Eric and John. The question reads, it's about eligible uses for NSP. This is an NSP3 project. It's a demo project and redevelopment of land once demolished 20 acre site. What can be done with the property?

John Laswick: How much money do you got? I don't know. This is one of those sort of sneaky ones. You know you think of it's a 20 acre site. It's zoned residential. I think what we're seeing with those kind of scale of projects across the country these days is mixed use. You know, you might get you know three, four, five story residential with ground floor commercial – restaurant, doctor's office, that kind of thing. Hunter and I have those in our neighborhood. So, you know it's going to be driven by zoning. It's going to be driven by financing. I guess the other thing is that you're only going to be responsible for the percentage of the project that the NSP funded in terms of meeting that national objective. So you know we were just talking to a California city yesterday that's got a project that's going to have a million and a half NSP dollars if we figure out how to make it work. It's a $26 million project. So you know they're percentage of responsibility for reporting on NSP accomplishments is 1.5 divided by 26 – whatever that is.

But I don't know. I mean I think that's the kind of thing you might want to have some technical assistance on. I know there was a city out west that tore down a big, troubled family project and they're looking at what they can do now. You know, it's not just an overnight kind of decision. You need to analyze what the market conditions are, what he demand is for commercial space if any, what kind of residential demands, what kind of price range, and all that sort of stuff. So we can put you together with some consultants that we pay for who do this all the time – look at sites and figure out options for preceding on those sites. We can't diagnose every project over the phone, but we can follow-up with that kind of assistance if you just write into the One CPD website and request technical assistance.

George Martin: Great, Doris do we have any other questions over the phone?

Doris: Not at this time. Ladies and gentlemen, if you would like to ask a question press star and then the number one on your telephone keypad. You will hear a tone acknowledging your request and a prompt to record your name.

John Laswick: We had another written in from Allison O'Kelly is that right? Have we answered that yet?

George Martin: No.

John Laswick: She says it appears that grantees that only did housing activities in their NSP programs will not have a need to use economic development as a performance result. Is that correct? Well yeah, so far. But if you have program income and you decided…and an opportunity comes along for you to maybe do a mixed use project, we're just here today to explain that you have some options there. You know, you have the ability perhaps to fund the economic development piece of it, where a couple years ago it might have been more difficult. But, if you've just been doing housing, you know there's no responsibility. There's no obligation to use economic development activities, but it's an opportunity.

Eric Chatham: George, it looks like we just had one more written question.

George Martin: Yes. This says please clarify what types of properties qualify under NSP3 eligible Use B. I know that residential properties are allowed but what about vacant parcels or buildings currently used for commercial use but are located in residential zones?

John Laswick: Well, so the restriction in this area really comes straight out of the legislation. It's foreclosed or abandoned residential buildings and property or something like that. If it's something that's currently commercially zoned, I don't think that rezoning it is going to make it eligible. It either is residential property or it isn't. Really the way to reach that kind of property is with NSP1 through eligible Use E. If you don't have any NSP1 money or any NSP1 program income then that's going to be difficult I think, to see what's possible. Talk to your field office. Send us a question through the ask a question. We can help you try to assess it. But from what you're describing I think it's going to be a tough one.

Eric Chatham: Okay, thank you John. There are no more questions at this point. We will move forward. This takes us into discussing allowable expenses. I think everybody is pretty familiar with these terms. The expenses for any of these economic development activities would generally be eligible if they do lead to meeting one of the national objectives described here. The area beneficiary creation or retention of jobs or serving limited clientele. That's pretty straight forward there. Any questions about eligible uses? I don't see any written ones.

George Martin: I was just going to say we do have a follow-up question from the one that John just answered.

Eric Chatham: Go ahead, thank you.

George Martin: That the person who submitted the question clarified and said that she was referring to non-conforming commercial uses in residential zones and she'd like to know if those are eligible – that is under eligible Use B.

John Laswick: Well again, I think our criterion all along has been what the zoning is. If you have a non-conforming use basically what you're saying is you still have residential zoning. You know, in order to continue to use that as a commercial property, it seems to me like you would still have to rezone that. Maybe that would be possible. I mean, if it's technically residential property. But, it's kind of…it's right on the margin there because it's going to look to a lot of people like you used sort of property that shouldn't have been used. So, I think we'd want to look at it very carefully with you and make sure you're on solid legal ground before you rush out and buy something.

Unidentified Male: You may want to contact your field office and talk to them in this situation. They would know more details than we probably could talk about here over the phone today.

John Laswick: Right. But I mean the situation, in my experience, the situation on non-conforming uses basically is an illegal use. So, you know if the underlying zoning is appropriate but what you want to use it for is the illegal use that it's currently being used for. I think, unless you have a much more liberal city attorney than I ever had, you're going to have to rezone it. But, it might work.

Eric Chatham: Thank you John.

George Martin: Doris, do we have any questions coming in over the phone at this time?

Doris: No, we have no audio questions at this time.

George Martin: Thanks.

Eric Chatham: Very good. This takes us to our first grantee highlight. I'll turn it over to the gentlemen from HUD to give us more details about the Dunbar Hotel Revitalization in Las Angeles.

John Laswick: Yeah, I'm glad to see that Zena Wuang from the City of LA is hopefully listening too, so she can correct me. But we had the pleasure of seeing this wonderful building – built in the 20's as a grand hotel in south Las Angeles. It was a hotel. It had performance space. And literally every big name, jazz and blues musician in the 20's and 30's and 40's played here and stayed here. And then adjacent to that there are two newer buildings that were built in the 70's or 80's, which are parts of the package. But the piece we're looking at is the hotel itself, which has been renovated for seniors and families and about a 50/50 mix.

The specific example that we're looking at in terms of economic development is the café restaurant space which they will hope to use on the ground floor. I've seen the space. I don't know if there's been a tenant identified yet for this. But it's a beautiful building and beautiful space. They've obviously put a lot more sources of funds into this, but let's say they've done all the housing and that's all taken care of with tax credits and various things like that. And, they still have to do tenant improvements for the commercial space for the restaurant. That is something that will create jobs, will bring services to a low, moderate, and middle income area. And, therefore could easily qualify as the type of activity that meets the element J category because it's a residential building, its residential zoning, but it's a commercial use inside of residential. It could also potentially qualify as LMMA. It's kind of your choice about which one is simpler to satisfy the national objectives with. But I think you have an opportunity in either of those national objectives to qualify a project like this.

This is a really exciting project. We saw a similar building up in Oakland, the California hotel that was also one of these beautiful 20's buildings. So, it's just been gratifying to use to go out and see some of the renovations and the redevelopment of buildings that were really beautiful at one time, had fallen into disrepair, and are now coming back. Again, this is--I think it's actually this corner that you're looking at right behind that yellow sign that is the space, if I'm not mistaken, were the restaurant would be. It's a good sized space and high ceilings. Maybe we'd get the ghost of Duke Ellington back in there at some point.

I certainly would invite Zena to call in. It looks like maybe she has. I just want to turn on the phone for Zena Wuang from the LA Housing Department. Maybe she could fill us in a little bit more. We've stolen her thunder I think on this one.

George Martin: Zena if you'd like to speak up, please press star one on your phone and you'll be put on the question queue and Doris can connect you over to the conference. While we're waiting for her John, the some written questions have come in.

John Laswick: Okay.

George Martin: The first one reads will property management and maintenance jobs created count as jobs created? Are we supposed to be reporting these types of jobs? Do we need to go back and report these types of jobs?

John Laswick: You mean on housing? No, I mean that's kind of gravy I guess. They would be eligible. If it were maintenance for a commercial facility that would be a job that you could count under LMMJ, but there's no need to sort of pad the accomplishments with job, somewhat incidental jobs that go along with housing, if that's what you mean.

David Noguera: Yeah, the overall purpose of adding the job's national objective was to provide NSP grantees and affiliates with an alternative to the housing and area benefit national objective. So we had some grantees that perhaps the residential property that they have acquired or the properties they mean to acquire in their targeted areas don't nicely fit into a housing benefit or an are benefit. So there are some ways that you can use the job's national objective, but you certainly don't have to.

George Martin: Doris, do we have any questions coming in over the phone or maybe we had Zena from LA connect?

Doris: No, we have no questions in the queue.

George Martin: Okay, the next written question Eric and John is what about abandoned former military based housing? It was residential and it requires demolishing and converting it to commercial for the creation of jobs for limited clientele. Would this be considered an eligible economic development use?

John Laswick: I think probably. If it was originally a housing use, so the property is residential. I don't know how the military treats zoning. But I mean if it is was a housing use and it's being converted to commercial and your area is eligible.

John Laswick: If it's in a target area.

David Noguera: Yeah, it's got to be one of those three.

John Laswick: It probably wasn't foreclosed but it might be abandoned. As Eric was saying the property still has to qualify on its own. So that might be the tricky part on that. That would not be a foreclosure obviously but I don't know under any of the abandoned criteria--most of those are oriented to sort of abating noxious uses and that sort of thing. So I don't know if the property itself would qualify. But if you could make that case, and we could talk you through that, then I think the national objective of job creation would be valid.

George Martin: Okay, we have a few more written questions. The next one reads regarding the form of assistance to businesses, is it limited to physical improvements to the space itself or is direct financial assistance in the form of loans or grants allowable - for example: operating expenses, equipment purchases, payroll, inventory, etc.?

John Laswick: That's a good question and the answer is boy, how big is your imagination? What we've done here is included, from the CDBG eligible activities 572-03 special economic development activities. If you can't fit a project in there, my goodness, you're just not trying hard enough. You can do all those things – direct assistance to businesses. Under rehab you can do improvements to the structure with some limitations. The way that you can structure either direct assistance to through the business or to the business as a loan for virtually any application I think. I mean, I'm hard pressed to think of something you couldn't do under 203.

George Martin: John, I also received another question in a direct message to me. It reads under the CDBG program for economic development low and moderate income limited clientele national objective is limited to microenterprise activities. Is this a purposeful policy decision of the NSP program to allow the use of limited clientele national objective beyond microenterprise activities?

John Laswick: That's a good question. I would say no. It could be a mistake. I think that what we're looking at with the limited clientele was not--

David Noguera: Not microenterprise.

John Laswick: It was a healthcare facility. So you were looking at… I don't know. Let me look that up and see if I can't straighten that out.

Hunter Kurtz: Should we go to another question while you look that up?

John Laswick: Yeah.

George Martin: Okay great. We do have another question. So we will be back to that one. The next one reads can an abandoned hotel be purchased with NSP funds and be converted into a residential rental property with a restaurant component inside the building?

David Noguera: It'd have to be done under E because of the fact that it's being used for both housing--it's a mixed use project. So, the key is if you're using NSP 2 or 3 funds then you want to prorate the funding sources that are going to the non-housing component.

Hunter Kurtz: It's a commercial not a residential.

David Noguera: But it's going to be mix use.

Hunter Kurtz: No, what I'm saying is it can't be B because it's not an abandoned or foreclosed residential property. It's a commercial property. So you just got to look at what your other funding sources are and try to sort of make them working under E that way. But it's not going to work under LMMJ or…

David Noguera: It's not going to work under B.

Hunter Kurtz: Right. But there are other ways to do it. You just got to sort of think big picture. Think about your total funding sources. Think about a percentage, residential is going to be 20%. NSP makes up 20% of the entire project budget – that type of thing.

David Noguera: It might be substantially more than 20%.

Hunter Kurtz: Yeah, whatever. That was just a number I threw out. Any other questions?

John Laswick: I think the issue with the healthcare facility is that that's not economic development. It's a facility. The example was a private facility. So I didn't come up with that example.

David Noguera: It's a certain group of people. It might be seniors. It might be children.

John Laswick: What's the eligible activity then?

David Noguera: Public facility.

John Laswick: It's a private facility. So I think it wouldn't be pretty clear as a public facility. I don't know.

David Noguera: Private facility would have to be the jobs going to the healthcare.

John Laswick: I'll try to read these. But, it looks to me like there's a section in the limited clientele activities that says you can rehabilitate a privately owned nonresidential building.

David Noguera: Under which activity?

John Laswick: Well, I don't know. This is CDBG. So you could do it as a special economic development, but then this is saying that--I don't know. We're going to have to get back to you, if you could write in. Was that a written question? I think it was on the microenterprise? We can write back to that person later.

George Martin: John, it was a written question, but it came directly to me as host. I can forward the name of the person who requested that.

Hunter Kurtz: With their contact information?

George Martin: Yeah, I will contact them through the messaging system and get their contact information. We do have another written question that just came in. Is a health clinic owned privately considered a public facility or does it have to be owned by nonprofit in order to be an eligible activity?

John Laswick: I believe it has to be nonprofit or public entity. It may be there is some way that could be leased to a private operator, but I'm getting out of my depth at this point. Or at least what I'm prepared to answer. John Swanson is out there. He probably knows the answer to this.

Eric Chatham: This is Eric. I think the caveat to the health clinic that was used in the example, it was a for-profit clinic but it was meeting the limited clientele by serving specifically targeted clientele would be using Medicaid or other Welfare programs to access he healthcare facility.

John Laswick: Yeah, I know. I was getting that part of it. But then I am thinking to myself what's the eligible activity and that's where I think you kind of loop back into having to have some sort of economic development activity. Then, if there's a constraint on element C for economic development activities then that's what the person was bringing up.

Eric Chatham: Yes sir.

John Laswick: Sorry about that. We just put that one in to show you how tricky these could be. Do you want to keep going Eric?

Eric Chatham: We had one more write in question here that might be a little easier this time. Can program income earned on NSP 1 activities be spent on economic development activities in a project funded with NSP 3 funds?

John Laswick: I believe it can be. My sense would be that it would retain its sort of character as an NSP 1, although trying to imagine the accounting on that gives me a little bit of a headache. But yeah, in theory you should be able to use NSP 1 with its greater flexibility to do projects under eligible Use E, for example, to supplement work that's being done with NSP 3, which has maybe narrower eligibility constraints.

Hunter Kurtz: You do need to make sure in DRGR and your accounting in your files that you are separating them. So that you're keeping the records separate so that it's clearly delineated what's NSP 1 and what's NSP 3.

Eric Chatham: Very good. Thank you gentlemen. I think that's got all of our written questions so far. Doris, one last check, are there any verbal questions there pending?

Doris: No sir. We have no audio questions.

Eric Chatham: Very good. Thank you. So moving forward, as some of the questions and answers have alluded to, perhaps this new national objective allows for modification of previously established projects. For example, you may have projects that have stalled for one reason or another – the markets may have changed or other factors that have changed the local market. This would perhaps allow you to consider other uses for these properties that have stalled. In doing so, you would need to keep in mind that you would have to modify your action plan. This would require first working with your field rep of course to discuss your project and get clearance that it does meet the national objective. Once you've got that clearance from the field rep, you would in the RGR need to edit the action plan for that specific activity, changing the national objective. That would also then trigger making adjustments to the anticipated beneficiary in the action plan module.

Again, as the previous example described in several questions asked, this may also open up opportunities for mixed use developments for better utilization of large projects. For example, the 20 acre parcel that was inquired about, perhaps this gives you some alternative uses so that residential isn't the only thing that has to go on such a large parcel.

This takes us to our second example, grantee highlight in Lake Worth, Florida where Urban Lofts have been creating work and living spaces for artists in the downtown district of Lake Worth, Florida. Again, I'll turn it over to the gentlemen from HUD to get us more details.

John Laswick: Yeah, thanks. This is another interesting project we have seen. There has been a number of artist loft type conversions. We had a cool one over in Vallejo, California that we saw last month, two months ago. Here is a new construction, an in fill project in an area that's lower income. These serve as live/work spaces. So, the lower floor, the lower picture there shows the ground floor space is very open. If I'm not mistaken, each of these floors is about 2400 square feet, or about 1200 square feet. So you have a large living area upstairs that's completely separate from the downstairs. The downstairs, I tried to get a little more information but I wasn't able to in time, but I'm pretty sure you can certainly do like a retail type operation as well as some assembly art kind of work. There's going to be fire code and other limitations on what you can physically perform inside the space. But it is zoned for work area.

Potentially, you would have employees that would qualify to live here or to meet a national objective, the people that live there already can become qualified. And, they are going to be working there but they may hire somebody. This could be a way to finance that. These were financed pretty much as residential units with workspace. But, this is just kind of designed to show you that there are ways to meet a national objective where you might not have an income qualified resident in the building, or maybe you've got the residents upstairs and they have separate spaces and a ground floor commercial space. This just gives you an idea of a nice looing version of that.

They did three of these fourplexes within a couple blocks of each other right in the very tightly designed target area that they have there in central Lake Worth. It's a neat project that generated a lot of interest. I wish I was a little bit closer to retirement age because I would have bought one. They are very nice. So, that's another option for you.

Eric Chatham: Very good. Thank you John. I don't see any written questions. I just want to check in with Doris. Do we have any verbal questions?

Doris: No sir, not at this time.

Eric Chatham: Very good. Thank you. Moving forward then, as I discussed a couple slides ago, once you adjusted your action plan to reflect the jobs creation national objective that would of course trigger needing to record the beneficiaries for these activities in the QPR modules each quarter. A simple screen shot here of the beneficiary performance measure. The cells if you will, under this report period would be fillable in your QPR and of course the cumulative would be on going, auto populated there through the DRGR system. Are there any questions about reporting in the QPR module? It's pretty straightforward again.

Okay, and that takes us to the end of the presentation. I want to open it up once again for verbal or written questions before we have any last comments from the gentlemen with HUD.

George Martin: We have a written question that just came in. It reads this may have already been answered, but we are considering doing a multi-housing project using our remaining NSP 2 program income under redevelopment eligible use. This is not in our AP application. So do we have to do a full-fledged AP amendment?

Hunter Kurtz: I guess the question is if it's in a…as long as they're already doing the eligible activity that they said they were going to do and as long as it's in the target area that they said they've already said they're going to work in, then no. But if any of those things are different then yes, yes you would need to do an action plan.

John Laswick: Right, and we've processed a number of amendments to action plans. It's not a big deal. But because it's NSP 2 and was a national competition you do have to come back through Washington and we go to a panel and re-rate them all and everything. But you know, in principle it's something you definitely could do and you would just want to be careful to make sure you were following the appropriate rules for the property and the activities and the beneficiaries and so forth, just like you would for any other project.

Eric Chatham: Thank you gentlemen. George, I see we have one more question written in.

George Martin: I don't see another one besides the one I just read, so if it's coming up for you Eric, why don't you read it.

Eric Chatham: Yes sir okay. This question says we are an NSP 1 sub recipient. We own vacant property with commercial and residential zoning in a target track. There are several abandoned and boarded properties adjacent to our site. We'd like to acquire for additional mix use senior and/or veteran project. Would this additional acquisition be allowed?

David Noguera: If the additional property that you're looking to acquire are either abandoned, foreclosed, or vacant and it sounds like they are housing, so it could fit into B as long as it's abandoned, foreclosed, or vacant. That'd be the key.

Eric Chatham: Again, this was an NSP 1 sub recipient. Just for clarification, would they also be eligible then under E perhaps if it wasn't residential?

David Noguera: Sure, sure. Yeah. As long as it's abandoned, foreclosed, or vacant then under one it could go into B or E.

Eric Chatham: Very good. Thank you. I don't see any additional written questions here. Doris, one last call for verbal questions at this time?

Doris: Certainly. You have a question from the line of Jim Hay.

Jim Hay: Hello?

John Laswick: Hello.

Eric Chatham: Go ahead Jim.

Jim Hay: I know we're near the end of the session. I wanted to just summarize the question I had on the first question I asked you about the NSP 3 property, the 20 acre site. It is foreclosed property. It's being demolished, etc. I just wanted to know -- and we might have availability to use NSP 1 program income for some of the activities on the site. I just wanted to know if there are any really restrictions of what we can do with it? I mean, we can put residential on it, office space I guess, public facilities, or even sell it to a developer and have it be developed that way. Is there anything that prevents us from doing what we need to do based on the markets that we develop?

John Laswick: I think you probably have a lot of flexibility there. How did you qualify this as meeting a national objective? This is a blight removal?

Jim Hay: Right. It was a blight removal. We land banked it but it was a foreclosed property that's been an eye sore in the community for 20 years. We finally were able to acquire it. Then, in the process of demolishing it, with the idea of--just unsure what we need to develop at this time. The only way we can do that is to do more of a study of it and figure out what makes the most sense economically.

John Laswick: If this is the project I'm thinking about, we talked to one of your elected officials about a month ago and recommended that the city apply for some technical assistance to answer these questions. I mean 20 acres is a big project. In large, you have a lot of flexibility on that. But, you'll need some strategy because you're not going to develop 20 acres all at once.

Jim Hay: Yeah. Some of it might be parceled out or sold.

John Laswick: Right. I would really encourage you to submit a request for technical assistance. We have some people that work on development deals all the time. They could say roughly speaking you want maybe 20% of it to be commercial and 40% to be affordable and 40% to be market rate. Here's your sources of financing. Here's your likely sequence. Do this one first. Do this one second. That's hard to figure out. You really go to kind of sift through it. I mean, if you've got a certain amount of NSP program income left, you're not going to finance the whole thing. So you could spend to choose your NSP on the thing that makes the most sense for NSP and then like let's say you got a commercial use that you want to pursue but you know you could get tax credits for the housing, you don't want to spend the NSP money on something that has another source of funds. So you know balancing those different alternatives off against each other is a smart strategy to do now. Then you'll have kind of a road map for how you move forward on that.

Jim Hay: Oh okay, great. Thank you. We'll probably apply for the TA then.

John Laswick: You should. It really will help you I think.

Jim Hay: Okay, thank you.

Doris: And we do have another question. Caller, your line is open.

Alberto: Hi, this is Alberto from Orlando. Can you hear me?

John Laswick: Hey, how are you?

Alberto: I'm doing well. I'm wondering if I can sneak in a quick question, not specifically economic development but about affordability period?

John Laswick: Okay.

Alberto: Okay, what happened is we acquired three lots…actually three properties. They have blighted structures. We demoed them. We were going to use it as a Latin bank, but we are going to be donating those lots to an agency that is going to build homes for disabled veterans most likely. My question is when we initially invested in the properties we spent about $260,000 to buy and demo and clean the lots. Now when they appraise now the appraised value is only like 15% of that or 10% of that – like $35,000. So, I was wondering for the affordability period, we're not going to touch it. We're just donating the land. I was wondering, do I use the amount of money as of the time we're giving it, like what is appraised now?

John Laswick: Hold on a second. We're sort of debating here. My sense is though you've already met a national objective with this, if you are in fact donating it.

David Noguera: What's the purpose you're donating it for?

Alberto: We're going to donate it to an agency that they're going to go ahead and build houses for veterans.

David Noguera: Are they renting or selling the homes?

Alberto: No, no. We're just giving it away. They're planning on giving the homes to veterans actually. They're not going to sell them.

John Laswick: So what you're doing is donating a property worth $35,000.

Alberto: Right, like three lots. They're worth $35,000 today.

John Laswick: And then that is in effect going to be a subsidy to the project. Let's say you got $12,335 a piece in property. I think that number is the number that drives the affordability period.

Alberto: That's what I thought. Okay.

David Noguera: It could be different properties.

John Laswick: You lost my…Hunter's word because you've already spent all this money that you're not going to recoup. But that's just part of the demolition.

Hunter Kurtz: Wouldn't that still be what you use?

John Laswick: That doesn't benefit these guys. They're only getting the benefit of the market value that's being donated.

Alberto: Right.

David Noguera: Unless he did a retail approach.

John Laswick: So yeah, I think the $12,000+ is going to be your number, and what does that give you, ten years or something?

Alberto: Something like that. It's not 20 or 15. It's either seven or ten.

John Laswick: New construction…I don't know.

Hunter Kurtz: Isn't it new construction?

Alberto: Well, we're not building. We're not constructing. The new people receiving the properties are going to build a property. But our part to them is the lots, which is about $12,000 apiece.

John Laswick: You know what you ought to do is send that in to us. You have our email address?

Hunter Kurtz: Or you can use the AAQ either one.

John Laswick: Yeah, send it into the ask a question just to double check.

Alberto: Okay.

Hunter Kurtz: When you send it in, just ask that it be sent directly to us.

Alberto: Okay. I'll do that to John, David, and the rest.

John Laswick: Right and Hunter, right.

Alberto: Okay Hunter. Okay. Thank you for your help.

John Laswick: Alright sure. Take it easy.

Alberto: Bye, bye.

John Laswick: Deadly information leaks out.

Eric Chatham: Doris, do we have any additional callers on hold?

Doris: No sir. There are no other questions in queue.

John Laswick: Alright Eric, I did get confirmation from John Swanson that he agrees more or less with the interpretation on microenterprise and element C. So, we've got sort of a mismatch on that example between the benefit and the eligible activity. So, probably if that were a public facility it might be able to be done as it was described. But, the fact that it's a private health, you know Medicaid oriented health facility isn't enough to make the activity eligible. You've got an eligibility problem there. Either an eligibility problem or a national objective problem – one or the other. So, we'll have to clean up that example.

Eric Chatham: Yes sir. We'll get that cleaned up and repost it to the resource exchange.

John Laswick: That'd be good. Yeah.

Eric Chatham: Yes sir.

John Laswick: In every slide show we have one mistake that we put in like that to see if alert listeners will catch on. So congratulations to whoever noticed that.

Hunter Kurtz: And when you listen to this webinar you'll hear a very different recorded voice pretending to be us where we misspoke about that example.

Eric Chatham: Thank you John for the clarification. I think we've answered all of the written and the verbal questions at this time. Do you guys have anything else you'd like to add in closing here?

John Laswick: I think this is good. We don't expect to see a lot of economic development but there's going to be some selective kinds of applications that might enable you to do things that you didn't used to be able to do. So we just want you to be aware of that. It can be a little bit tricky as we pointed out. So, we encourage you to write in or contact your CPD rep or however you choose to validate information and proceed carefully with the awareness that there are some things that you could do now that you didn't used to be able to do.

And then again, to hit our point from the beginning of the webinar, please take a good look at your QPR's and make sure that you're reporting your accomplishments in the right activity categories – either demolition, homeownership assistance, rehabilitation, or new construction. Everything that you have accomplished should be reported in one of those categories. You don't have to have everything accomplished. If you're feeling like you're stuck, please request technical assistance or call us. We'll try to hook you up with some.

Eric Chatham: Very good. Thank you sir. We have one last question from Jim. He writes, will there be a summary of this session online at One CPD Resource Exchange? The answer to that would be yes sir, the transcript will be available as well as the recording. We will edit the limited clientele slide and repost the webinar slides as well. Those will be up as soon as possible.

John Laswick: As they are for all of these webinars. So the truly dedicated can go back several years' worth of webinars. Thanks everybody.

Eric Chatham: Thank you.

Doris: Ladies and gentlemen, this does conclude today's conference call. You may now disconnect.

[End of Transcript]