NSP Webinar Transcript: NSP Closeout Instructions Tuesday, April 22nd, 2014 2:00-4:00pm EDT

Adrian: Good afternoon. My name is Adrian, and I will be your conference operator today. At this time, I would like to welcome everyone to the NSP closeout webinar. All lines have been placed on mute to prevent any background noise. If you would like to ask a question, please press * then the number one. You'll hear a tone acknowledging your request and a prompt to record your name. To withdraw your question [you] please, press * then the number two. We're now to turn the conference over to your host Ms. Dionne Roberts. Thank you. You may begin.

Dionne Roberts: Thank you and good afternoon everyone. Thanks for joining us. It looks like we have a very big crowd this afternoon, so we're excited to go ahead and to get started. We have a big cast of characters as well on our side. Just a couple of quick notes - please remember to turn off your cell phones. Close your email and other programs on your computer just to make sure that there are no issues with that. In addition to myself, we have Mary Paumen and Jennifer Alpha from TDA who will be presenting. And then also from HUD, the irrepressible NSP staff, David Noguera, John Laswick, and Hunter Kurtz. Before we get started I know that there were just a couple of comments and big shout out thank yous that they wanted to make. So, I'm going to go ahead and turn this over to them just for a minute.

John Laswick: Okay, thanks Dionne. For those of you who don't realize this yet, Dionne has become the President of her company, TDA. I think that her new title is exalted one. I think. Isn't that what you told me you wanted? So, but we really appreciate the TDA group. It's been a long process. Mary and Dionne have been helpful, and especially Jennifer Alpha deserves a tremendous amount of credit for writing this guide. We've gone around a number of times. And then, we had really valuable help at the end from a number of reviewers who took time out of their days to take a look at this before we finalized and tried to make it real. We got some great comments. So, we would just like to recognize Shaunda Harold in Riverside, California, Kay Kriter in Phoenix, Carol Rourke in DuPage County, Illinois, Michelle Wildman with the State of Michigan, Sally Adams with the State of Georgia, Mitch Glasser from Orange County, Florida, and James Siden from the Community Builders, along with a couple of our escaped NSP specialists in Jacksonville, Laurie Serrino and Portland, Oregon, Bryna Claint, and last but certainly not least Hunter Kurtz here who's carried really most of the weight of this whole process with considerably more patience than I usually have. Anyway, we appreciate it, and we hope that this is going to be a useful document, but as we said in the notice, it's something that we expect to keep changing. So, as we discover soft spots or mis-phrased sentences or whatever we're always prepared to make it better, and I'm sure that we'll continue to do that, so I'll turn it back to Dionne.

Hunter Kurtz: Can I say something real quickly? Thank you John for the compliment, but just real quickly I wanted to give you all an update of where we stand with the closeout process. We are still waiting for the PRA process to come to an end, that's the Paperwork Reduction Act. That's where we have to publish through the Office of Management and Budget, noticing that we're not creating too much paperwork. That notice has been published, and we fortunately got an emergency notice, so it will only need to be out in 14 days rather than the standard 90. We're in the middle of those 14 days right now. So as soon as we get that back, OMB will send us some stuff. We have to a little paperwork to certify everything. We should be ready here within the next couple of weeks to actually start for real this time -- well knock on wood -- to start closing out some grants. So, we're close folks. We're close. I'll turn it back over, I guess now, to Diane.

John Laswick: Dionne.

Hunter Kurtz: Dionne, I'm sorry.

Dionne Roberts: Exalted one.

Hunter Kurtz: Yes, I apologize.

Dionne Roberts: So much easier to pronounce.

Hunter Kurtz: On one knee.

Dionne Roberts: Well, thank you for that, and I know that there have been a lot of thank yous. There will be a lot more as folks actually do start the closeout process. Just wanted to note that there are some resources out there. Hopefully, a lot of you received the OneCPD email blast earlier this afternoon announcing the release of the closeout guide. We'll talk a little bit more about the guide specifically in a moment. But, just so you know, it is now up on the OneCPD Resource Exchange and available for you to download and to read at your leisure. We have this webinar, and then there is also another webinar that is going to be scheduled for May 1st that will be more specialized. This one is really meant to be sort of general topics. The one on May 1st will go into some special topics and into some specific things that HUD really wants you to be thinking of in terms of post closeout and planning for what that future is going to like.

The Closeout Guide was released and posted on one OneCPD this afternoon. It's really meant to supplement the notice. Obviously the notice is the official document, but the guide is really meant to kind of take that, and then to help you think through how to operationalize the close out and to really work through that process. So it includes a lot of examples, some clarifications in terms of more explanation about what certain things in the notice mean and are intended to mean, and then also some forms where they're actually annotated to sort of talk you through what needs to be provided in each piece. As Hunter and John always like to say, this is a "living document," so it will be updated. But, this is sort of the first take at it. It is a first take that took a long time coming, and it is probably much more thorough and more complete than it would have been otherwise. So I think you'll find it generally speaking very useful.

A couple of things that we want to highlight and that we're really going to talk about today are the closeout criteria. So the: How do I know when I'm really ready to closeout? What's the checklist that I need to walk through? How can I best prepare for that? Those are the elements that we're really going to walk through on the webinar today. It also includes things like the post-closeout requirements, which will be touched upon in the next webinar. Again, it provides a whole lot of appendices and resources and references that you may find useful and helpful as you walk through that process. This afternoon we really want to cover four things and a couple of fast facts, [which are] just things to know about how HUD anticipates the closeout process is going to go, and what it's going to look like, and what the criteria are – so, how will you know when you're ready, what you'll need to do to prepare for that, and then towards the end, a conversation about the fact that there will be technical assistance provided to folks as part of the closeout process. So, I think that HUD staff has been really thoughtful about making sure that you're not just kind of left out there to figure this out, and they are working right now on making sure that there's a process to make sure that you have the help that you need to get all the way through, to get the documents complete, and to have everything ready for when you actually get submitted to HUD for a final review. So with that, I'm going to turn it over to Jennifer. She's going to walk us through the first section.

Jennifer Alpha: Thanks Dionne. Okay. So the fast facts - really we put these together because we had some pretty common themes in terms of questions that came up both in previous webinars and from our reviewers when they reviewed our draft previously. This are hot-button issues about which people had some burning questions and some confusion, so we wanted to clear those up, up front. The first is the criteria for closeout is not the same as the criteria for meeting expenditure deadlines. You'll remember that for expenditure deadlines, HUD allowed grantees to combine both line of credit and programming come that have been extended to reach the amount that was required by the deadlines. For closeout, however, HUD's going to be looking for grantees to exhaust their line of credit funds prior to commencing the process. We'll talk a little bit throughout the presentation today about what that's going to look like for everybody. Just know that the requirements for meeting the expenditure deadline are different than what you're going to be seeing closeout.

Also different from expenditure is that there is no deadline for closeout. So, for expenditures, you had set deadlines along the way and while HUD would like those who are close to meeting the closeout criteria to proceed expeditiously through the process, it is understood that it may take a good amount of time for some grantees to fully extend their lines of credit and to be ready to close out their grant. So not to stress out, there is not deadline. But, for those you who are pretty close, HUD would like to see you moving towards that goal.

You will be able to use your program income after closeout. Some folks were wondering what happens to my program income - will it still be there for me? It will. You won't lose it. In fact you'll continue to earn program income after closeout perhaps. Now the treatment of program income that is earned after closeout is a little bit different than the program income that you earned pre-closeout. If you look at Figure 6 of the Closeout Guide, it walks you through how different entities are treated in terms of program income after closeout. We're not going to really get into that much today. That's probably going to be a topic that we save for the next webinar because it is a little more detailed than some of the overview that we wanted to cover today.

So life after close out will be pretty much the same for most grantees as it is prior to closeout. Some folks I think are thinking that it's going to be a different world for them after closeout, but for many it's going to be pretty much the same. You're going to continue to use the funds that you have for NSP eligible uses and to meet national objectives. One of the bigger difference is that you'll switch to less frequent reporting, which I think will be enjoyable for many, but for most, life isn't going to look much different after closeout if you have a good amount of program income on hand that you still need to spend. As Dionne mentioned TA is going to be available for closeout preparation and it's going to be available throughout the process. You can request it at any time going to the OneCPD portal. You can also use the, ask a question, if you have just small questions that you need clarified, but one of the big TA opportunities that will be available to grantees is a readiness check. We'll be talking about that at the end of the presentation.

So, we'll move on to the criteria. So, there are essentially four closeout criteria that you're going to need to meet before you can actually commence the closeout process. You'll need to have all activities funded with even a penny of line-of-credit funds – you'll need to have them complete and they will have had to meet a national objective. We're going to break down each of these criteria as we move through them. This one, especially, has a lot of components.

The second is that grantees have to meet the 25% set-aside requirement. Again, this one has caused a little bit of confusion. So, we're actually going to give you an example and walk through it because we think that that might help to clear up some of the questions that were raised previously. Grantees also have to - all costs have to be incurred and other regulator requirements need to be met. Mary will walk us through those last two points there.

So moving on to closeout criterion number one, all activities funded with even a penny of line-of-credit funds are complete and have met a national objective. Let's talk a little bit about what we mean when we talk about line-of-credit funds. These are the funds that are held in the grantee’s treasury account. We all know the program-income rule. You have to spend your program income before you spend your line-of-credit funds. The result of that is that many of you may have very large amount of line-of-credit funds remaining even though you've met your expenditure deadlines because you were spending program income along the way.

So, you're going to have to work though exhausting those line-of-credit funds prior to closing out your grant. Specifically, any activity that received even a penny of those funds will need to be complete and to meet the national objective. Now, what it means to meet a national objective. We want to remind everybody that physically completing a unit does not mean a national objective has been met. Essentially, you have to have an income-eligible family or household living in that unit.

So for example, under eligible use B, acquisition/rehabilitation, the reconstruction of a home that was demolished is an eligible activity. It will be physically complete when it's fully constructed and inspected and all costs have been incurred. However, the national objective won't have been met until it's rented or sold to a family whose household income is at or below 120% AMI. Don't confuse the idea that you've completed your units with having met the national objectives. This is a two-part test - units must be complete and they must have met the national objective.

So you might be wondering, what if I funded a bunch of activities with solely program income? I didn't use any of my line-of-credit funds. Well, if you've funded them solely with program income, you do not need to complete them or to meet the national objective prior to the grant closeout. Now, you will eventually have to meet those criteria, but if you have some lingering activities funded 100% with program income and you want to close out, you can do that as long as you've met the initial criteria of any activities funded with your line-of-credit funds meeting the criteria being completed and meeting the national objective. If it's just funded with program income, those can meet the criterion later. So that's closeout criteria number one.

The second thing that you'll have to check off of your list before you can formally closeout your grant is that you have to meet the 25% set-aside requirement. I know that everybody is familiar with that requirement. Of course that applies to both credit funds and to program income under the general NSP requirements. However, with respect to closing out your grant the criteria that HUD is looking at will be specifically the line of credit. So to close out the grant, grantees must expend an amount equal to 25% of their initial line-of-credit amount to house families at or below 50% AMI.

So, you're going to look at your initial line-of-credit amount and take 25% of that. You will have had to spend either program income or line-of-credit funds to meet that requirement. Now with respect to the remaining amount that you have to meet with regard to our program income that you've earned at the date of closeout, you're going to have an additional three years from the date of closeout to expend an amount equal to 25% of all program income earned at the day that you close out. The date of closeout will be the date that the closeout agreement is signed with HUD. And again, you can combine both program income and line-of-credit funds to meet this amount. So it might be a little bit confusing, but let's walk through an example.

Suppose a grantee has an original line of credit amount. Their original grant was $2-million. The program income that they're earned by the date of closeout was $100,000, so under the NSP requirements, their total 25% set-aside requirement at the date of closeout would be: $500,000, that's 25% of $2-million, plus, $25,000, that's 25% of $100,000, for a grand total of $525,000. Now as we have said for meeting the closeout criteria only, HUD is going to be looking at this $500,000 amount. That's the amount that you will have had to expend towards your 25% set-aside requirement prior to closing out the grant. So for this particular grantee, suppose that so far they've expended $510,000 towards meeting that requirement. So as you can see, $510,000 is greater that $500,000. So, they are able to check this box in terms of saying that they met these criteria for closing out, but they still have some work to do after closeout. So within the three-year following closeout, they're going to need to expend an additional $15,000 toward this set-aside requirement in order to reach their $525,000.

Now in the Closeout Guide in the appendices, there is an annotated worksheet that HUD has developed to help grantees figure out what this amount is going to look like. This is just a little screenshot of the annotated appendix. So, we're going to take that worksheet and walk through it with our example.

So the first line is your original grant. This is where we are going to fill in information about the original grant. In column A we put our total grant amount. That's $2-million. In column B we put 25% of that. That's $500,000. This is the box that you're going to look at to figure out what do I need to have expended toward my 25% set-aside requirement in order to closeout my grant. So that's the box that you're really going to focus on in terms of: have I met the criteria?

Row two. This is where you're going to record your program income. As of the closeout date, this grantee earned $100,000. Twenty-five percent of that is $25,000. Row three totals these lines. And then in row four, this is where we're going to look at the amount that the grantee has already expended on activities that met the national objective towards the 25% set aside. So, as we said, this grantee has expended $510,000. Remember that this can be made up by either line-of-credit funds or by program income.

So this last row then, is the amount that is left to be expended over the next three years after closeout to finish meeting your overall requirement. Again, you're going to be subtracting line four from line three. You're getting that $15,000. Now, a few things to keep in mind, choosing this three-year option to meet the requirements for program income earned at the time of closeout, does not change any requirements that apply to program income that you earned following closeout.

So basically, the example that we use in the guide is that just because you've gotten an extension on your homework assignment doesn't mean that you don't have to comply timely with your future homework assignments. Grantees may expend future program income earnings toward meeting the requirement for program income on hand at the time of closeout. So anything that you earn after closeout in our example could be used to help fund that additional $15,000 that has to be spent towards the set aside.

We already talked about the worksheet. It's a good tool if you want to fill that in and see where you are in the process. Grantees must continue to report on their program income received before and after closeout. That requirement will continue.

So then, we'll move on to criterion number three. I'm going to pass it over to Mary and she's going to walk through the next two criteria.

Mary Paumen: Okay. Thank you, Jennifer. As Jennifer said, there are four criteria. I'll cover the last two. The first one is - all costs have been incurred. Basically what this means is that if you have contracted for certain tasks, particularly in terms of rehab and construction, which is a contractual obligation, all of these costs have to be incurred prior to closeout even if you've not yet paid the contractors, but all of your line-of-credit dollars have to be used and put into contracts, so that you can say that the costs are incurred. Secondarily, if one of the things that you are still using is administrative money from your original administrative line, those costs that are incurred can also be put as these, in other words, counted against your obligations on the line-of-credit dollar even if the staff is paid later. So if you're only doing staff payments monthly, even though you're closing out on the 31st, you can incur all of those costs all month long or whatever your payment period is, until such time as you actually close out the grant.

Secondarily, any cost that you have from contingent liabilities – typically we're looking at contingent liabilities as being the same as audit costs and those related admin costs, third-party claims that you have come up against during the operation of your NSP program, and also those related administrative costs and any outstanding attorney's fees - what you can do, HUD is allowing you to draw down those funds and to hold them in a separate account until you've resolved any claims or any issues that have occurred during the administration of you program. So once again, it will give you the ability to pull down some of those dollars, and to make sure that they've been expended.

Line-of-credit funds - we want you to be aware of these two points too as well - line-of-credit funds that have been previously reserved for administration cannot be spent for administration once you've closed out the grant. So, if you have x amount of dollars left in your line-of-credit funds for admin, you need to get those costs incurred prior to closing out, or they will be lost to you. The other item that you need to be aware of as you're working towards your closeout is that land-bank maintenance and stewardships cannot be drawn prior to closeout. What HUD is suggesting is that you use things such as program income to cover those costs. So you'll not be able to draw down those dollars prior to closeout, bank them, and say that oh, they're for the operations of our ongoing land bank.

We want you to be aware of those two points. One, you have to spend your administrative money prior, and secondarily - on the land banks - that if you have program income, think about using that for the ongoing maintenance of your land bank.

So last but not least, the closeout criteria number four - other federal regulatory requirements are met. So what do we mean by that? All of you who are NSP2 grantees and NSP3 grantees there are other requirements that you were required to meet to utilize those grants. We're going to cover these requirements much more extensively next Thursday in the May1st webinar. We wanted you to be aware of what they are. The NSP2 unit performance measure - as you all know, you told HUD how many units you would be building and rehabbing, demolishing, whatever your unit measure was - whether or not that you can meet that prior to closeout. For the NSP2 grantees - whether you have worked in the target areas that you defined in your application. Both NSP2 and NSP3 grantees - whether or not you've met the demolition restrictions. And, lastly, the green and energy efficiency requirements - whether or not you've met those as well.

So NSP2 actions in target areas. You need show, if you're an NSP grantee, that you have worked in the census track that you targeted in your application. If you've not already amended your action plan because there were potentially census tracks and target areas that you could not work in, then you need to discuss with HUD and to take a look at whether it's not necessary to amend your NSP2 action plan to make sure that you've actually met the requirements on the areas that you've targeted. HUD did put out a policy alert at the beginning of this month that would give you more information, but as I said, we'll also cover that in much greater detail next week.

That is the end of the closeout criteria. So let me stop here and see if there are questions on just these four closeout criteria if anybody has any specifics.

Dionne Roberts: Thanks Mary. Before we start with the questions from folks who might be on the line, we have a couple of questions that have come in through chat and through the Q&A. So just to go in order of criteria, there's a question related to closeout criteria number one. It's pretty specific, so I'll try and read it reasonably slowly. The question is: "What if the line-of-credit funds were used to pay for an asbestos survey in furtherance of demolition of blighted property, but something prevents the demolition itself. Perhaps the property owner files an administrative appeal causing delay or abandonment of the demolition project. Does that asbestos survey cost need to be moved to a non-NSP funding source because the project, which was demolition of the blighted property, has not been completed?"

John Laswick: No. The HOME program might make you do that, but in NSP we have allowed some of these failed soft costs that were paid for failed projects because if you do an environmental review or an asbestos review or a lead assessment or something like that, and you find a problem, then you shouldn't proceed. We didn't feel like it was appropriate to penalize you for that. So as long as these are not voluminous, we have allowed grantees to spread those costs over the other projects in that activity.

So, if it's in demolition and you have 10 demolitions that are in there, you could add the $10,000 or $2,000 or whatever, and just treat that as part of the entirety of the demolitions. Something like that would be an activity-delivery cost, so it would be part of the part of the line item, rather than part of the general administrative funds. So, that's how those costs would go. Other costs like that staffing and so forth go in those line items. So that should take care of it. You should put it in the line item. Probably, you might want to have a little explanation someplace in your file - just what happened here - but we expect those things to happen. As long as you're not doing it every other time, you should be fine.

Dionne Roberts: Great. We have a couple of questions related to criteria number two, which is about the LH25 set aside. The first one says, "If the actual low-income spending exceeds the required amount prior to closeout, can the excess low-income expenditures be credited towards future low-income requirements on program income earned after closeout?"

Hunter Kurtz: Well, there are sort of a couple of different buckets of program income. You have 25% of your line of credit, which you need to do beforehand, and then you have that three-year window to do all of the program income that you had on hand prior to closing out. So, any 25% set aside that you have before you close out, counts towards that three-year window. But any program income earned after you close out your grant, you have to start over from scratch. So day one of post closeout, you have started your 25% set aside over.

Dionne Roberts: You want to repeat that?

Hunter Kurtz: So, day one, post closeout, you start from scratch. You start from zero for any program earned after closeout.

John Laswick: So you'd have to do 25%. Well based on the post-closeout rules too because you don't have to meet the 25% set aside unless you have more that $250,000 worth of program income. So, our attorneys felt like sort of mixing up these two pots of money was just going to get too complicated. And so, they have said you can't get credit for any over production prior to close out. I mean. We appreciate you doing that. We don't want you to feel like we don't appreciate it, but for the purposes of closeout, we had to draw that line.

Dionne Roberts: We've got some questions stacking up here, so I'm going to take one more written and then check with Adrian and see if we have any folks on the line wanting to ask questions verbally. This relates to criteria number two again. "What date and time is used for closeout date? Does HUD give a closeout date for determining the calculation for the 25% set aside? Our program income is earned every month because we have mortgage payments."

Hunter Kurtz: The closeout date is the official date that the HUD representative. So typically, the CPD Director signs the closeout agreement.

Dionne Roberts: So when they're calculating their LH 25, I guess, the question is that if I'm earning program income every month, how do I call a hard stop to that?

Hunter Kurtz: You wouldn't stop. If you signed it in the middle of a month, and say that you get your program-income payments on the 30th. You sign agreement on the 15th. The program income payments that come in on the 30th would then be post-closeout payments.

David Noguera: So, on the closeout agreement you are just going to report what you have in hand.

Hunter Kurtz: On hand, right.

Dionne Roberts: Okay. Adrian are there any callers on the line waiting for questions.

Adrian: There are no questions at this time.

Dionne Roberts: Okay. Then, we will go ahead with more written questions. We have a question related to revolving loans. The question is: "Do activities funded through a revolving loan fund need to be complete and have met a national objective prior to closeout?

Hunter Kurtz: With revolving funds, you typically have program income in there, typically solely program income.

John Laswick: Yes, they're not funded with a line-of-credit funds.

Hunter Kurtz: So there would be no line-of-credit funds in that project, so though it would eventually need to meet a national objective, it does not need to meet a national objective before you closeout the grant.

Dionne Roberts: Okay. And, we have a couple of other questions related to complete expenditures. So the next question is: "What is your definition of incurring admin costs to expend prior to closeout?

John Laswick: Well, incurring a cost is when you are required to make a payment. So, if I work eight hours today, the Federal Government is required to pay me for that. They won't pay me for another couple of weeks, but if you're counting expenditures, and you want to know what's incurred, it's the date that you - in the case of an employee - their salary was required to be paid. In the case of contractors, it is when they invoice you. I would say - and we were noticing this as we listened to the presentation earlier - if you're still paying contractors, you probably aren't ready for closeout because you probably don't have your entire unit occupied. So I think that the staffing and so forth, in order to draw down you line of credit, that's going to be your big expenditure worry. Everything else, as we said, life goes on the same pretty much after closeout. So, it's just that you need to spend your line of credit down as far as possible before you can closeout, and so that'll be the place where you're worrying about incurring costs.

Dionne Roberts: Great. Thank you. So speaking of life after closeout, and also admin funds, so there's a great segue there, the question is: "If we have expended our entire line of credit, may we use program income for admin costs after closeout?"

Hunter Kurtz: Yes. As long as you have the ability to spend the admin funds in the sense that you have sort of the credit from your 10% of grant funds, and 10% of program income left over - the ability in that space to expend admin funds, then, yes, you may continue to spend admin funds.

John Laswick: And, we would expect that. There are some pretty active levels of program income in some areas and that's going to be pretty labor intensive, even after closeout.

Dionne Roberts: There is a follow up related to what date will be used on the closeout agreement. I believe that what you said earlier was that it will be date that it's signed by the HUD official.

Hunter Kurtz: Yes. The closeout agreement signed by the HUD official will be the date that the grant is close.

Dionne Roberts: So, it's not when they request closeout or what's the back and forth. It's the date that it is going to be actually signed by the HUD official who has the ability to do that.

Hunter Kurtz: Yes, and remember it's the closeout agreement. It's not the letter like starting the closeout process or anything else.

John Laswick: Yes, I think that these are the kinds of details that, even though this is a pretty detailed slide presentation, we can't get everything in there, so a lot of these questions are answer in the guidebook. You can look them up too.

David Noguera: As part of the readiness check, the provider will go through with you and explain those details.

Hunter Kurtz: The TA provider.

Dionne Roberts: Covered under Section 4 of today's agenda.

Hunter Kurtz: Yes.

Dionne Roberts: So we have one more question and then we'll move onto the next section. It's related again to program income. The question is: "The grantee has been spending program income, although there are still funds available in the lines of credit. Once it's closed, does that mean that the portion in the line of credit will not be available anymore after the PI is fully expended?" I'm pretty sure the answer to that is yes, so spend it down.

John Laswick: Yes, it is. Once we close, that line of credit will be shut down. So, we will work with you to make sure that we don't leave any more than pocket change in there, but there might be $100 or $1,000 in there, but we're not going to force you to close out either. There aren't any requirements to close. There are no deadlines. So, if you've still got $10,000 or $50,000 or even $5,000 in there that you could use for something, use it.

Dionne Roberts: Okay. We have one more quick question, then I'm going just going to get in, then I'm going to turn it back to Mary to talk about what you can do to prepare for closeout. The question is, “pre and post closeout, can you use program income from NSP1 on an NSP3 project and vice versa?

John Laswick: Typically yes. We put out a little policy note on this about January of last year, 2013, something like that, that deals with using administrative costs from one program for the other and program costs. I think that we've always kind of done that. A lot of projects in NSP1, a lot of places bought a lot of properties, and then ended up realizing that the individual costs were higher than they anticipated, so when they got NSP2 or NSP3, they went in. As long as it's in the same project, the same target area and so forth, it should be fine. I think that, for the most part, there aren't target areas after closeout, right.

Hunter Kurtz: Yes, for the most part. We'll be coming out with some future guidance on target areas post closeout.

John Laswick: But, there is something. There is a short policy alert from January or February of 2013, if you want to look it up, but for the most part, you can do that.

Dionne Roberts: Great. So with that, I think that I'm going to turn it back over to you, Mary, to talk about the next section.

Mary Paumen: Okay. Thank you Dionne. This section really is intended to give you some ideas of things that you could be working on to get ready for closeout. As John said when the webinar started, they're about to open up the process as soon as they get clearance to do that. While there are some known grantees who are probably just ready to go, this is really intended for the majority of grantees who are thinking, “what are the things that I need to do, so that when I decide that I am ready to closeout, it's a smooth process, and I've got all of my paperwork ready?” So, we really just want to give you some helpful suggestions on what you can do to prepare for closeout and to essentially look at your record.

The thing that I think that we have found in working with a number of grantees with technical assistance is that if you've got spectacular record keeping, you're not going to have trouble here. But, if you have weak records, if you don't have a good land inventory, or you didn't document your accomplishments, remember you can't close out until you can document that each and every unit is occupied. If you've made financial errors in DRGR, then you're going to have to go back, and try and reconcile all of these items. You've got to have a strategy for your land bank, and you need to have you long-term affordability set with all of your grantees, all of your developers. You have to know how you can track that. That's going to be key in terms of your long term.

So what do you do? First of all, you have to reconcile your current QPR in DRGR. If your QPRs are coming out without errors, you're in good shape, but if there is something, you need to go back now, and start looking to see where those errors might be. Have you put your units in the wrong categories? Are you not filling in the accomplishments for your units? These are the things that you need to look at.

Make sure that you've completed all of your activities that were funded with your line of credit dollars, and that you've put in the sub-recipient data that shows that you've met an national objective. Confirm that you did spend that 25% on the satisfied unit. Make sure that you've done that math correctly. Obligate your land-bank properties. Make sure that if you've got a plan for how they're going to be used in the long term, you've got that down in writing, and that it's ready to go.

Lastly, of course, we want you to go and look at your agreements with your partners. Make sure that you've got the affordability periods in there. Make sure that you're grantees understand that you will be coming out to monitor these things and what those steps are. So, now is a good time to take a look at all of those requirements and agreements.

How do you reconcile your QPR? DRGR is a reporting system. So, it didn't make the error. If there is an error in the system, somebody input the information incorrectly. What you want to do is to go back and look at all of those entries and to make sure that they are correct. There is help out there. If there's something that you're seeing that just doesn't add up, doesn't strike you as it looks right. You know your properties, so start doing it. We do know that it can take some time if you have to go back and to look at data over time.

So, small corrections can be big corrections if your errors have continued over fields. Remember that this program, particularly NSP1, has been open for several years. You could have a compounding error that has built up over time. So we are suggesting that folks go in, start looking at all the fields and make sure that everything adds up whether it's financially, numbers of units, numbers of sub-recipients and the sub-recipient data. If you need help, and Jennifer is going to talk a little bit more in the last section here about how you potentially get some TA, go online, ask questions, but this is really going to be the time-consuming piece in getting ready for closeout. It's not just that you've spent your money, it's that all of your data is correct as well.

We do realize that for some folks this could actually take some time, so now is a good time to start looking at it. In particular, that your projects are benefitting households at or below 50% of the area median income. You may have projects in the system that you did not count towards your 25% set-aside. Go back and look at the data for each and every one of used units. You may have more there in terms of meeting the 25% set-aside than you think you do.

What else can you do? Correct or change the DRGR entries. You may have to create or delete activities. Revise your vouchers. I realize that it's very time consuming, but there is help to be able to do that. Edit the QPRs to make sure that have the right addresses, beneficiaries, and expenditure data. These are the things that are going to be looked at.

As you all know, how do you correct errors? You go in, and in that current QPR do prior period corrections. HUD is not going to open up your old QPRs, but you can add this data to the current. That's what HUD is asking you to do - is to go back and to reconcile what you have from the past in the current QPR. So, double check your beneficiary information, and for each activity, even if you think that you're correct, check it anyway. Ensure that all of the expenditures and program income are reported. That is absolutely key. The narratives should be clear, concise, tell the story. In a couple of lines you can blow us all away and say, I did x so many units in this neighborhood, I've transformed this neighborhood. In very concise language, tell us how good this was. We definitely want you to, once again, verify addresses.

So, there are tools for making changes, for reconciling things in DRGR. There are the micro-strategy reports, prior-period correction tools, and if you haven't used one and want some help, go to Ask a Question, go to the TA block in the portal and ask for some help. There's a maintain addresses feature, batch uploads, unless again, OneCPD ask a question and requests for TA. Nobody is asking you to struggle alone with a lot of this, but there is all kinds of help out there to help you to get that perfect QPR.

What can I do to prepare? Complete all of the activities funded with line-of-credit funds and confirm the national objective are met. Those are two very important things that I just said. Look at the micro-strategies reports. Review your activities. Once again, tune in next week, we'll talk more in detail about all of these items because these are the things that you need to do to meet those four closeout criteria. HUD is not giving you a deadline. So you've got the time to take a step back, make sure that everything is in the proper place, is the correct information. You have an opportunity change it before you call up HUD and say, ah! I'm ready to close out. It turns out that you're not, and then you spend a lot of time trying to correct all of these errors.

Once again, confirm the 25% set-aside is met. You may have to go through your internal records and make sure that they say the same things that are in DRGR. As I said, you may have done additional units beyond the ones that you originally proposed as low-mod units. Make sure that the families who are in each and everyone of these properties may or may not meet this criterion. HUD is working on creating a DRGR report that will help you to track this and that will give you an additional tool to make sure that you're getting this. Use the worksheets that are included in the guide, particularly the one for this. Make sure that you are close on the 25%.

So land banks. As you know if you have significant properties that you've purchased over time that are put into a land bank for future use, make sure that you've obligated these properties for use that will meet a national objective. You've got to have a plan that shows how you're going to obligate these properties, that they will be committed, and that it will be in that ten-year post-closeout period. Once again, it's that important date when the local HUD office signs your closeout agreement, you have ten years from that date. Once again, more information on land bank plans.

John Laswick: Mary, let me just jump in here because I know that we've had some anxious questions from land banks about what do you mean by obligate. We mean that you have a general plan. This property is going to be housing. This property is going to be commercial. We're not looking for - we don't expect you to know if it's going to be a duplex or that’s going to be a record store or whatever. Just sort of general types of properties, so you will need more information about these properties than you need to give us, so just don't fret too much about that one.

Mary Paumen: So you're suggesting to just mark them commercial or residential for those that are.

John Laswick: Yes. I mean. If you have more information that's great. We're looking for a strategy here not necessarily a detailed plan for every single property.

Hunter Kurtz: We're going to be coming up with a lot more information about land banks on this land-bank plan. So don't feel that this is all that we're going to tell you. There is more coming.

John Laswick: We've been working on a lot of land-bank issues recently, and it's one of those things that we haven't had to resolve these questions during the course of the program, but now that we're getting closer, we are flushing that out. In fact, I think that you and I wrote some additional material just in the guidebook itself, so I just don't want people to get too nervous about it. I don't think that it's going to be a prohibitively difficult requirement.

Mary Paumen: Okay, and just a little bit more information on the issue of reviewing your agreements with partners. One of the things that we want to do is to make sure that there are affordability periods in the agreements, and that you have created and crafted and recorded all of those instruments that you may be using to enforce affordability. We do find sometimes that folks think, I've got the agreement, but have not taken an extra step to record liens or whatever instruments that you're using. So, go back and go through all of your agreements. Make sure that all of that documentation is done and is in place because, let's face it, if it's not, you're going to have a terrible time trying to enforce affordability as you go back to monitor you sub-recipients and your grantees. So make sure that all of that is in place before you do the closeout process.

So the last thing is to confirm the dates and terms, the legal descriptions of the properties. Make sure that each and every one of your agreements spells out the responsibilities of the parties. What are you supposed to do as the grantee? What are your sub-recipients and developers suppose to be doing? How they're going to use program income? We assume that you've made those decisions in the agreements, and that both parties really understand the continuing affordability, and how you'll maintain that. And then, just make sure that all other federal requirements - all those other lovely federal requirements that you're required to comply with - that you've done your reporting, that you've done property inspections, and that all of this paperwork is in place and will continue the properties through the affordability period.

So assuming that you go back through all of these items, when you go to HUD and say, I'm ready to close out, you will be ready to close out. So let me stop here to see if there are questions on this part before Jennifer talks about the closeout process.

Dionne Roberts: Thank you Mary, and Adrian I just wanted to check and see if we had any folks who had queued up to ask verbal questions?

Adrian: Yes. We do have one question. It comes from the line of Sheila Cade.

Sheila Cade: Oh, okay, can you hear me?

Dionne Roberts: Hi Sheila.

Sheila Cade: Oh, hi. Okay. My question is that we CPLC, we're responsible for almost a couple of thousand of units meeting the national objectives. And so since we've generated a lot of program income, and they have gone to acquire these units, does that mean that those units that were purchased with PI will not really officially have to meet the national objectives until after closeout.

John Laswick: Generally speaking yes. If they are purchased entirely with program income, then there is no requirement prior to closeout to have them meet a national objective, but if some of them have, then you'll kind of get credit for that, but the rest you can take for what is it, three years?

Hunter Kurtz: I mean. Eventually they will need to meet a national objective.

John Laswick: Yes, if it's program income from before the closeout, then you have three years to meet a national objective, no?

David: There's no deadline.

Sheila Cade: So what I hear you saying is that sure, our action plan has said that we're required to meet x amount of units, but we really don't have to meet those x amount of units until after closeout if we pay for those properties with program income.

John Laswick: Okay, so that's a little different issue, which is how close do you have to get to your projections. That's a little bit different issue. So the ceiling works for Chicanos Por La Causa, which is an NSP2 grantee - and NSP2 was a competitive process - so the rules are a little different for that. So the rules are a little different for that. So if you're sitting out there in the State of South Dakota, and this sounds unusual to you, don't worry about it. But for NSP2 grantees, there were target-area requirements. There were minimum performance standards and a few things like that. And so when we decide whether you can close out, it will be based on our assessment of how close you came to meeting your original goals rather than saying well you'll meet them eventually because you have this program income down the line. After the closeout, we really don't have any way to sort of, way to track it, I mean we track it, but we won't have any kind of way to enforce it one way or the other.

Hunter Kurtz: We'll go into more detail on this type of stuff in next-week's webinar.

Sheila Cade: Wonderful!

Hunter Kurtz: [Over-talking] time talking about this today.

Sheila Casde: Okay, thank you.

Dionne Roberts: Oh, but it's so much fun. So, onto more fun. Adrian before I move onto the written questions is anybody else on the line.

Adrian: There are no further questions.

Dionne Roberts: Thank you. So we have a couple of questions that are about kind of the intermingling and interrelationships of NSP1 and NSP3. The first one says: "Are NSP1 and NSP3 funds treated separately. In other words, can we close out NSP3, but not NSP1 at this time?"

Hunter Kurtz: Yes, you cannot close out both grants with the same documents. You have to go through the process for each grant separately.

David Noguera: But the order doesn't matter.

Hunter Kurtz: Right, but the order doesn't matter.

Dionne Roberts: So, whatever is ready first, which in a lot of cases will probably be the NSP3.

Hunter Kurtz: In a lot of cases that may be the case.

John Laswick: Typically the awards are a lot smaller, yes.

Dionne Roberts: We have a little bit of a different type of question related to those relationships. It says, "If we have a project acquired with NSP3 and rehabbed with NSP1, do we record beneficiary data in both activities or in just one.

Hunter Kurtz: Both.

John Laswick: Right, that's always been true, so there is. So then, your next question is: Why won't that result in double counting? The answer is that we have a process to match those up to addresses, so that take out duplication to the extent possible, so it's okay. You have to report it in both programs, or otherwise you won't be able to close out.

Dionne Roberts: So it will be set up and reported in both, and then on the back end, it will be kind of de-duped?

John Laswick: De-duped, right.

Dionne Roberts: Perfect. And then we have one more written question at this point. It says, “Just to verify, there's not deadline to closeout?" Which is correct. And then, the second part of the question says, “Is there any penalty for not closing out after the final line-of-credit funds have been drawn, especially, for example, if land-bank properties haven't been occupied by LLMI households yet?” So even if they draw everything down, they'd be penalized for not immediately closing out.

Hunter Kurtz: There's not penalty except for every three months, they're going to have to do another QPR.

Dionne Roberts: Which is really penalty enough.

Hunter Kurtz: Right, exactly! Or you could do a yearly QPR or annual performance report. It's your choice.

John Laswick: Well, let's just say that there are currently no penalties.

Dionne Roberts: I hear a caveat.

Hunter Kurtz: I can't envision that doing a QPR is not enough of a penalty to get you to want to close out.

John Laswick: Yes, but if the entire Upper Midwest is dragging its feet to stretch out the data on the ten-year requirements to dispose of land-bank properties, I think that we'll get suspicious. Realistically, that would be kind of the only big reason to drag it out because you don't want that clock to start. I think that based on what Hunter said earlier and some of the conversation we've been having, I think that we're going to get that hurdle to be jumpable for the land banks, so you don't have to be afraid of closing your grant out and starting the clock.

Dionne Roberts: Got it. Alright, I don't see any other questions at this time, so I think that we can move on, Jennifer, with the closeout process and technical assistance section.

Jennifer Alpha: Okay, great. The closeout process - we covered this in pretty great detail on the February 25th webinar, so I encourage everybody to go back and to take a listen to that if you haven't already heard it, but we're going to walk through the steps here just so that folks who didn't get a chance to hear, or who would like a reminder, understand what it's going to look like. Once you've prepared yourself for closeout, you've met all of the criteria, what happens next? So the first step in the closeout process is that the grantee and HUD will jointly determine that the grantee is ready following a readiness check with the TA provider. The key here is that there should be constant and careful communication between the grantee and their HUD representative to decide that the grantee is actually ready for closeout. Part of that process, we're going to talk about in a little bit, is a readiness check where a TA provider will work directly with the grantee and be in communication with HUD about whether the grantee has met the closeout criteria and is generally prepared to commence the formal process.

So once it's determined that the grantee is ready, HUD will send a closeout package to the grantee. In that package, you're going to receive a closeout checklist. You'll receive a closeout certification form that will have to be completed when you return your package to HUD, and some other materials. If you look in the closeout guide, it lists out all of the different pieces of the closeout package. Some of them are attached to the guide as appendices. For instance, the closeout checklist is actually there as a blank form, so that you can work with it, and also in an annotate version to sort of help you to understand what HUD is looking for on some of the more nuanced questions or the ones that might raise some questions for grantees. So, take a look at those appendices that will help you understand what kind of material you're going to have to complete in order to submit your package to HUD.

So once you do submit the package, HUD will take it and review it. That brings us to step four. There may be some questions back and forth, clarifications that are needed. Once HUD is happy with the package that's been submitted, they will complete that closeout certification. Remember that the grantee will have already signed it when they send in their package, and now HUD will complete that closeout certification, and alert the grantee that the grantee now has 90 days to submit the final QPR. Ninety days might sound like a long time, but as Mary mentioned, small errors in the QPR often unravel into much more complex issues sort of like going down a rabbit hole, so you want to start early on looking at your QPR to clean up any errors that you might have in there.

You should stay tuned for an upcoming webinar focused exclusively on the QPR and also some new DRGR micro-strategy reports that will help you through the closeout process. They're going to kind of provide you with the functionality to understand where you are in terms of getting ready to meet the criteria. The next step in the process once you've completed your final QPR HUD will review the QPR and prepare the closeout agreement. And then, HUD will execute that closeout agreement with the grantee. Remember that the date of this agreement is the date of your actual closeout. So all of these requirements that sort of date back to the date of closeout for instance program income, the management plan for continued affordability and things like that, land-bank issues, all of those things that reference a closeout date is referring to this closeout agreement date.

Hunter Kurtz: Hey, Jennifer, just to back up real quick one second. Tuesday May 20th is when we will be having that webinar on QPRs.

Jennifer Alpha: Okay, great! This little orange box here on the side sort of points out to you areas where it might be helpful to request some technical assistance, but will talk about what kinds of technical assistance are available in a minute. Just know that these are areas that would probably be prime for technical assistance, but you can really request assistance at any time during the process that you might need some extra help.

So keep in mind that closeout must be completed separately for each NSP grant like Hunter was talking about earlier in reference to the question that we got. You have to complete this process for each grant, so each grant gets its own closeout package, and you'll have to walk through these steps for each grant. HUD will work directly with grantees on closeout, not individual sub-recipients, so if you're a sub-recipient, you should be following the guidance that you received from the grantee, the primary grantee, and comply with your sub-recipient agreement.

If you're a grantee who has sub-recipient agreements, make sure that you're looking at your agreement and that you're communicating with your sub-recipients about what's going to be required.

And then entitlement communities that are member of NSP2 consortia will need to complete some of these closeout forms, so just keep that in mind. It's a little bit of a different twist.

Okay. Technical assistance - so we've talked a bit about this readiness review that will be available to grantees prior to closeout. Again, people need to be working closely with their HUD reps at the beginning and throughout the closeout process. Prior to receiving the package, the grantee will need to submit a technical assistance request the OneCPD portal requesting a readiness review.

What the readiness review will do - a TA provider will be assigned to the grantee, and as part of that process, the TA provider will contact the grantee field office and make sure that everybody is on the same page with where the grantee is, and the kinds of things that need to be reviewed to ensure that the grantee is ready to close. During this readiness check the TA providers will work with grantees to identify whether the criteria has been met. So, we'll go through those four closeout criteria and make sure that we can check the box for each one, walk through the closeout checklist, make sure that everything on the closeout checklist is in good order and ready to go.

If that's the case, and there are not other outstanding issues that have been identified in the readiness review, then the grantee would be recommended to commence the formal closeout process. Depending on the needs of the grantee that come up during this readiness review, some additional on-call technical assistance may be provided.

But, like I said, as needed technical assistance is always available if you ask for it. You may need assistance for a whole range of things related to this process because it is very detailed. You might need help understanding the closeout criteria. You might need help preparing the closeout documentation as I mentioned. Your closeout package will have a bunch of materials. You can look at those as appendices to the closeout guide. But, you may need some help preparing those documents. You may ask for a review of the documentation. Perhaps you felt comfortable completing them, but you'd just like someone to take a second look. You can discuss record keeping needed to substantiate information provided in the closeout package. Mary talked about making sure that you have strong records, so if you have any questions about what's required, technical assistance is available to help answer those questions. And then, another big one that most people will probably be seeking technical assistance for is reconciling the data and information in DRGR.

So in order to submit a request for technical assistance - and this is when you're about to undergo the readiness review or if you just need technical assistance generally - you're going to go the website here onecpd.info/technical-assistance/. You're going to click on request technical assistance. At that point, you're going to be prompted to log in. Once you're logged in, you'll complete some information about the organization, the kind of technical assistance that you need, and just generally why you're requesting the assistance.

This is a screenshot of what that looks like. Once you're logged in, you'll see this screen. You'll see here at the top portion of the screen, you're going to click to NSP because that's the topic area where you'd like the assistance, and then here at the bottom, it walks you through these six items that you need to complete information so that the technical assistance request can be routed and assigned properly.

The questions can be asked in two ways following this and prior to the webinar. I think that brings us to our last slide, but I did want to mention that there is the on-call technical assistance that you can request, but there's also the Ask a Question. You can go in and submit a questions either to the general NSP pool if you have more policy-type questions that are fairly simple to ask, and you would like a quick turnaround. Or if you have DRGR specific questions, there is a specific DRGR ask a question pool.

So, I think that with that, we can check to see if we have any additional questions that have been submitted on this section.

Dionne Roberts: Great. Adrian do we have anyone online.

Adrian: Not at this time.

Dionne Roberts: So, we have a couple of questions that were slight holdovers from the last section. The first question is, "If we use state NSP funds to acquire a single-family property, and entitlement NSP funds to renovate the property, do both jurisdictions report the national objective and address?

Hunter Kurtz: Yes.

Dionne Roberts: And then, is there still an assumption that that would be de-duped, or is that not as much of an issue?

Hunter Kuntz: Grantees shouldn't worry about us de-duplicating or whatever we call it. We'll handle that, but if you spend money on a property, you need to report it because how else do we know that you've properly spent the funds.

John Laswick: Right, you've got to report the accomplishment, and the only way to do that is in two different places. I'm not sure that I'm comfortable with this illision on de-duplication. I mean, obviously it's needed, but being de-duped has this kind of a weird, you know…

Dionne Roberts: Yes, but it's a level of caring, so you can appreciate that.

David Noguera: Well, I guess that the other point that I would make is that every project, or I guess that it's common for projects to use multiple sources of funding to get completed, so it's expected that you're going to have to report on a project in multiple places particularly when they're high-value projects.

Hunter Kurtz: That's a really good way to look at it. If you use CDBG funds, or use some sort of federal, or some sort of charitable trust funds, you're still going to report on the property, so it doesn't matter if it's one or two or it's state one and local two, or whatever it is. You still need to report on the property for each grant.

David Noguera: Yes, and in some cases it's more than that.

Hunter Kurtz: Yes.

Dionne Roberts: Great. We have another question. It says that I'm still learning, which I think applies to all of us. When we're talking about line-of-credit funds to spend and objectives met for closeout, we are talking about total-grant funds right, and not about each sub-recipient grant fund? So if I have sub-recipients, I can close them out individually? We're talking about one process for the entire grant?

Hunter Kurtz: Yes. You may have some internal closeout process, which is fine, but closing out with HUD, you can only close out a grant as an entire grant.

John Laswick: That can work to your advantage because if you've got one sub-recipient that's overproduced, and you've spent all of your line-of-credit funds, and you've met all of your national objectives, then the fact that the other one is a little bit father behind may not slow you down.

Dionne Roberts: And so, we're moving on to more process and timing questions now. The question is: "So the certification executed by HUD must be received prior to submitting the final QPR?

Hunter Kurtz: No.

Dionne Roberts: Right.

Hunter Kurtz: It does not need to be submitted. You could submit the final QPR pretty much any time after you get the packet or even before that. Once you're done, and you know that you're not doing any more, you can submit your final QPR whenever you want. Now, as you go through the closeout process, you might find that you need to open it up and redo it, so I wouldn't recommend doing it too soon, but you can submit the QPR at any point during the process, the final QPR.

Dionne Roberts: Right, just to be clear on slide 44, it says HUD executes closeout certification, and then once that is done the grantee has 90 days to submit the final QPR.

Hunter Kurtz: Right, and that is the case. I mean. You do have that full 90 days, which you can take if you want, but you do not need to.

Dionne Roberts: Okay. Perfect. Speaking of process, I can't wait to hear the answer to this. How long is the process estimated to take?

Hunter Kurtz: Ninety days. [Laugh] No. That will be - in about 90 to 180 days, we are probably going to answer that question fairly.

John Laswick: We have several grantees that have valiantly volunteered to be the first ones through the process, and we'll see, because we want to make sure that it's working smoothly too. But, yes, I think that it's going to take in that time range. It really depends on how good your records are as I think that Jennifer and Mary said early on. If your records really are in good shape, and they add up and down and sideways and you've got everything done, it shouldn't take all that long, maybe a month or two, but it's probably the minimum, but it could drag out I'm sure. You need a 10-year limit for that too, right.

Dionne Roberts: So not to nag on this question of duplicates, but there is a slightly different take. It says, "We purchased a home rehabbed it and sold it to an income-qualified buyer. Later we reacquired the same property and resold it to a different qualified buyer, which creates duplicate addresses. Will this be a problem in the QPR?"

John Laswick: It shouldn't be.

David Noguera: I guess that the problem is the affordability period.

Hunter Kurtz: You know what, that question raises some other questions. I would recommend that you submit an Ask a Question asking that very question because there may be some other things that we may need to talk about with that such scenario.

John Laswick: Yes, it just so happens that I had a call from someone who's got this sort of a related problem like that with somebody leaving the unit, and trying to get somebody else in it. We haven't had too many of those, so let us look that up, but when you send that question in, and you don't have to make it any longer than what you said here, but just put to direct to HUD on that because then the people who work on those will send it to us, and we can get it done pretty quickly.

Dionne Roberts: Okay, great! So, that can be submitted through the Ask a Question through one CPD portal. Here's an interesting take on the QPR. So, "Is there still a QPR due by April 30th for the period of January 1st through March 31st, if we intend to close out the grants? Or, can we wait until the closeout process starts?"

David Noguera: We don't know when the grant is going to close out.

Hunter Kurtz: You still need to submit your QPR for this quarter. No one can wait until later.

John Laswick: They will be due until your case is closed.

Dionne Roberts: It was a really good try though.

David Noguera: Yes, you never know if you're going to be confronted with any delays or how long the process is going to take. So, you should just continue carrying out your program with business as usual until you have that closeout agreement signed.

John Laswick: Although Hunter does feel that having quarterly reports instead of annual ones is probably the most significant pressure that you will have the least comfortable thing that you will want to keep doing, but until you close, they will be do quarterly.

Hunter Kurtz: Whoever asked that question probably agrees with me.

Dionne Roberts: Right. Adrian, do we have anyone queued up for questions on the line?

Adrian: There are no questions on the queue.

Dionne Roberts: Okay. I'm sorry. Was there, or was there not?

Adrian: There was not.

Dionne Roberts: Well, we have a couple of more in the Q&A written. So somebody has been perusing the closeout guide. "In the Closeout Guide, it talks about compiling an inventory of any real property and equipment purchase. Does equipment include computer, printers, copiers, etc.?"

Hunter Kurtz: Yes, over …

David Noguera: There's a dollar value. I think that it's $5,000.

Dionne Roberts: Right. It's $5,000 per single piece of equipment.

John Laswick: Yes, that's a CPG requirement that's just passing through here, but yes, you do. That's a completely different set of questions than your continued affordability.

Dionne Roberts: Right, and I would recommend that those folks look at the actual requirement because usually the equipment value is a pretty high threshold, and it's per piece of equipment and not total. So, if you're just buying kind of standard office stuff, it can be pretty hard to actually hit that threshold, so that would be something that they really want to look at further.

We have a question from a state related to program income. It says, "As a state grantee with local entitlement sub-grantees, we receive program income from ourselves, can we close out NSP1 and NSP3, and allow them to maintain program income without submitting to the state again after closeout?

Hunter Kurtz: No, unfortunately. Two things are different for states in the NSP program than in the CDBG program. First is that, yes, you must continue to report on any program income that your sub-recipients - whether they be an entitlement community or not – generate. And, two, the threshold for what's considered program income is $25,000 and not the $35,000 as it is in the state CDBG program.

David Noguera: Earlier on there was a lot of back and forth on how we were going to deal with this issue from a policy standpoint. The final ruling was that we wanted the funds, the program income, to continue to be used in areas of greatest need, and for NSP eligible activities, so by the state receiving this money back, then they can make sure that it's going to those greatest need areas.

Dionne Roberts: Okay. We have another question related to line-of-credit and program income. Here we go. This is more of a strategic question I think. "If we have a lot of program income and line-of-credit admin money, how do we spend the line-of-credit admin dollars? Do we need to spend it down to say, under $100,000 to closeout?"

Hunter Kurtz: That question seems to have…

Dionne Roberts: A couple of pieces.

Hunter Kurtz: Yes, a couple misunderstandings there. You know what, I'm almost inclined to say, let's talk about this next week because I think that we're getting quite a few of these, and I don't want to.

John Laswick: But let's just clarify.

Dionne Roberts: You mean on the May 1st webinar?

Hunter Kurtz: Yes. I mean. John, if you want to just go.

John Laswick: Well, I was just going to just clarify on one level that we may have originally designated an amount of money as program admin, but your entitled to spend your grant plus program income. You don't have to spend 10% for every dollar, and so if you've got hardware projects that you could spend the line-of-credit funds on and save your program income for admin, you're allowed to do that kind of thing.

Hunter Kurtz: You could close out your grant, and not spend a dollar of admin. And then you have your 10% capacity for admin in the future. So, if you have a $1-million grant, you have $100,000 worth admin, you could close out, and never spend a dollar of that. Just let's pretend that you don't get any program income. You close out your grant. You've somehow magically get program income after you closeout your grant. I don't know how that would work, but you have up to $100,000 of that program income you get after you close out that you could use for admin.

John Laswick: This is one place that you can kind of bank it.

David Noguera: The other thing that I wanted say is that in terms of how much money can be left in your line of credit, that's really up to you because any money that you leave in your line of credit when you close out will be forfeited. So, I think as you read the question Dionne, you said something like $100,000. That sounds like a significant amount of money. So you'd probably want use up as much of that as possible based on your level of need before you want to close out and turn off that faucet.

John Laswick: Right, but it's your call David says. If that makes sense to you, then it's your call.

Dionne Roberts: Right. There's a follow-up question here that I think is basically confirming what you guys were just saying about, “can unspent admin funds be reallocated to other line items?” As you mentioned before, the answer is yes because that was really always meant to be a maximum similar to the CDBG and other programs where that's kind of the maximum that you can spend, but you can always spend it on program activities if you don't need it.

John Laswick: Yes. It's a budget. It's a percentage, so you don't have to hold the original amount for the original grant or anything like that. You have some flexibility, shifting fund around between approved items as long as you're not going over the limits.

Dionne Roberts: So we are tapped out on the written questions. Adrian do we have anybody in queue?

Adrian: No at this time.

Dionne Roberts: David and John and Hunter, or Mary and Jennifer, are there other comments that you want to add? We're running ahead of schedule, which is lovely.

Hunter Kurtz: Just to go back to the admin thing – we'll definitely have some slides in the next webinar sort of working and showing what we're talking about here about the capacity and about pre and post closeout because this is sort of a confusing topic that we can always explain again.

John Laswick: Yes, and it's been a concern from the very beginning of how do you monitor continue affordability. I don't think that there's going to be a huge amount of work, but there will be some work, so if there is a way for you to kind of push some of your budget back into the post-closeout period, or to use most of your program income for admin, having used most of your grant funds and pre-closeout program income for hard costs, there's some flexibility there, and it would make some sense to push this back. Or similarly with land bank, how do you keep paying for land banks? There's labor involved in that. Hopefully you get some income, but you might not, so you may be able to shift some funds from other projects, from other program income on other projects into the land banks.

David Noguera: One other comment that I'll make is that we've been talking about closeout from a general perspective for the most part because we as HUD, we've been working on this notice, and we've been working on the guide. We're sort of thinking about it at a macro level, but when it comes down to it for each and every one of you as a grantee, it really is an individual experience that you're going to go through, which is why we set up this readiness check, and we're going to work with you one-on-one to make sure that all of your ducks are in order, and that you're maximizing the program to the extent possible. So, hopefully it'll be a positive experience.

John Laswick: A lot of that is going to be done by your field offices who are closer to you so that they know other things, your whole program. That's true though, it will have to be customized.

Jennifer Alpha: It looks like another question came in.

Hunter Kurtz: Too late.

Dionne Roberts: Oh, come on. It's only fair. It's from somebody who started us off. So, it's a follow up, and you may want to defer this, but it says, "If the only use of program income after closeout was for admin expenses - for ongoing program admin, long term income compliance - how would we meet the 25% low-income expenditure requirement using only admin.

Hunter Kurtz: I would assume. In the example that I used they said $100,000. So you would fall underneath the $250,000 threshold.

John Laswick: Per year.

Hunter Kurtz: Per year, for 25% set aside. So that is how in that example that I used, that would work. If you earned over $250,000 per year, then yes, you couldn't just use all of your, if you had the capacity for admin, you would also have to spend some of those funds on meeting the 25% set aside.

David Noguera: But regardless of how much program admin you have in hand, as long as it's not a de minumus amount, then you're going to have to carry out some activities with it be as a set aside or others. You can't just do program admins … the capacity.

John Laswick: It's going to depend on your source of funds. Realistically, I don't think that most people are going to have a huge carryover in terms of capacity. It's not going to be all of your admin money. So most likely you're going to be doing projects, but you may be able to do - twenty percent of your money might be able to go to admin, or even 30% if you have that original sort of budget capacity. But, I think that most grantees with a 10% admin cap aren't carrying large amounts of capacity into closeout.

But that might be one thing that you might want to check, though, because I think that a lot of people - we've been through this in the entitlement program recently. We had a policy out on activity delivery costs versus program administrative costs. It came out a couple of years ago that David worked on. A lot of these costs for your programs are activity-delivery costs, which can go into the project line item rather than come out of your 10% general administrative cap, so you might want to look at the people who are actually doing intake for you rehab loans or the inspectors who are checking the rehab or any of the people who are on the front lines of this program, typically their time is project time. It's counted as activity delivery, and it could eligibly be charged to the project line item, rather than to general admin. But, if you're looking for ways to carry some balance forward, I don't know how complicated that would be for you, but it might be worth checking out.

Hunter Kurtz: Any other questions?

Dionne Roberts: Just one more from a state. "We anticipate a sub-recipient-generating PI after closeout. Will we be required to report quarterly or annually?"

Hunter Kurtz: After closeout, all grantees will report annually, so annually for this situation. Everybody is annual. What we'll do is that we will line up your CBDG reporting and your NSP reporting so that …

John Laswick: You're in a con-plan cycle.

Hunter Kurtz: Yes, exactly. So you may end up with your first year being six months - seven months, and then in the future, you don't have two random reporting dates. You just have one reporting date.

John Laswick: Well, yes, and it allows you to program your funds more intelligently too.

Dionne Roberts: Okay. Adrian do we have anybody on the line for a question?

Adrian: There are no questions from the phone lines.

John Laswick: So, people just aren't calling in any more.

Dionne Roberts: They're not. They want the question in writing, and the answer in transcript, I guess.

Hunter Kurtz: I want thank Sheila from CPLC for calling in. We should give her a special shout out for being our one.

Dionne Roberts: It's always been NSP2 grantees, you know.

John Laswick: CPLC is a very bold organization, so we're not surprised but, yes, it's just kind of odd. It sort of takes out that human touch. I don't know.

Dionne Roberts: I know. Maybe next time what we'll do is, if you want to get on the line, we'll take your questions first.

John Laswick: Alright, there you go. We need incentives here.

Dionne Roberts: Okay a little incentive. I can't get them off of QPR status, but I can put them at the front of the line.

Hunter Kurtz: Basically you have to promise them is if they ask their question verbally, they're going to get the answer that they want.

Dionne Roberts: I am not making that promise.

David Noguera: There'd be 1,000 people on the line.

Dionne Roberts: Great. So if there's nothing else to wrap up, I do just want to remind folks about the upcoming webinars, and also that they always have the ability to submit their questions through Ask a Question outside of the webinar process.

John Laswick: Yes, there is a land bank webinar scheduled at this point for the 13th of May, and that's going to be kind of a semi-open, I mean. There'll be some presentations. Michelle Wildman from Michigan I think is going to run it, and we're getting some other people, but we want to set it up in a way that people can just ask a lot of land-bank related questions until we figure out what other policies that we have to write. But then yes, I think that the one next week on the first, May Day, maybe we'll have our PRA liberated by that time too.

Hunter Kurtz: If not it will be within the next few days I think.

Dionne Roberts: And, we also have, when is the QPR webinar scheduled for?

Hunter Kurtz: The 20th, May 20th.

John Laswick: Right.

Dionne Roberts: So, a couple of dates for folks to hold, and then we do have one question that just came in from somebody who actually doesn't have any PI coming back on their NSP1 activities. Their question is: "Once they've closed out, and their closeout has been accepted, will they still have to do an annual report?"

Hunter Kurtz: Yes. Just for the continued affordability.

John Laswick: Continue affordability, yes, but if you really do not have activities, then there's nothing to report there.

Hunter Kurtz: I mean. It's basically we say that continue affordability still remains.

Dionne Roberts: It's more like an annual certification.

David Noguera: A status update on your inventory.

John Laswick: You're pretty minimal though, yes.

Dionne Roberts: Alright, well I hate to close it up 21 minutes early, but we don't have anything else.

Hunter Kurtz: Well let's close out the closeout webinar.

Dionne Roberts: Let's close it out.

John Laswick: I need to get a readiness check first and we better call Dionne. Yes, come back next week everybody, and we'll kind of dig down another layer here.

Thank you all.

Dionne Roberts: Great! Well thank you everybody. Have a great afternoon and a great rest of your week.

Adrian: This concludes today's conference. You may now disconnect.