NSP Closeout:
Special Topics and
Post-Closeout Considerations

05/01/2014

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Resources

2/11/2014 - Closeout Instructions Notice Released

2/25/2014 - Closeout Webinar on Closeout Process

4/22/2014- NSP Closeout Guide Released

4/22/2014 - Closeout Preparation Webinar (General)

5/01/2014 - Closeout Preparation Webinar (Special Topics and Post-Closeout Considerations)

5/20/2014- QPR Webinar

Closeout Guide Overview

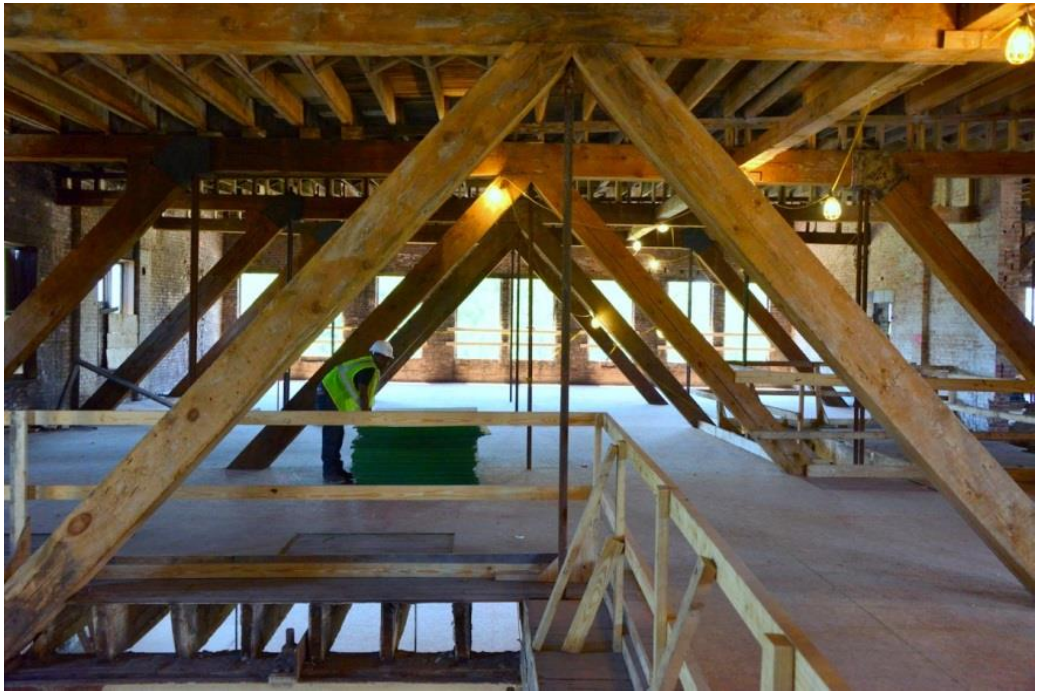
- Released on April 22, 2014.
- Supplements the Closeout Notices and provides detailed guidance on the closeout process
- Includes examples, tips, clarifications, and annotated versions of the closeout forms
- Living document that will be updated through addendums as guidance is developed overtime

Today's Agenda

Review of Special Topics and Post-Closeout Considerations Covered in the Closeout Guide

- Strategies for spending down lines of credit
- Post-closeout Considerations:
  - Program income
  - Land banks
  - Reporting
- NSP2 and NSP3 grantee requirements
- State grantees considerations

Strategies for Spending Down Line of Credit Funds



Strategies for Spending Down Line of Credit Funds

Remember the FIRST criteria for closeout:

1. **All activities funded with even a penny of Line of Credit Funds are Complete and have met a National Objective**
2. Grantee has met the 25% Requirement
3. All Costs have been incurred
4. Other regulatory requirements are met

Strategies for Spending Down Line of Credit Funds

What is a Revolving Loan Fund?

- A separate fund established to carry out a specific, NSP-eligible activity that will generate program income.
- Grantees place program income in and disburse funds from the RLF in perpetuity.
- PI in each revolving fund is dedicated to that fund's specific purpose.
- Grantees may establish several revolving funds, but each must be for an NSP-eligible, income-generating activity meeting an NSP national objective.

Strategies for Spending Down Line of Credit Funds

Line of Credit Funds = Funds held in grantee's Treasury Account

- Rule: Program Income must be spent in advance of line of credit funds.
- Result: Grantees may have funds remaining in their NSP lines of credit following the expenditure deadlines.

  In order to close out, grantees should exhaust their entire line of credit funds.

Strategies for Spending Down Line of Credit Funds

Establish Revolving Loan Fund

- Use for programs receiving substantial program income
- Grantees must build up a RLF from program income; they <u>cannot</u> capitalize a revolving fund using NSP grant funds from a line of credit (with limited exceptions)
- RLFs are not effective when a grantee operates only one primary activity since there are no other activities to draw down the Line of Credit.

Strategies for Spending Down Line of Credit Funds

RLF Design Tips

- Select an appropriate number of activities
- Select activities that are appropriate for the size and scope of the program to ensure that funds will revolve
- Revolving funds can be broken up by target areas

Strategies for Spending Down Line of Credit Funds

Revolving Loan Fund Examples

- Establish RLF to:
  - make loans for homeownership assistance through first and second mortgages
  - fund acquisition and rehabilitation of single family homes.
- More information on Revolving Loan Funds: www.onecpd.info/resource/347/hud-nsp-policy-alert-guidance-on-revolving-funds-under-nsp/

Post-closeout Considerations

Program income

Land banks

Reporting

Post Closeout Considerations: Program Income

- HUD will not take back program income at closeout and will work with grantees to avoid disrupting the flow of PI.

- Grantees will continue to use income in compliance with NSP rules and may earn additional program income that must be reported annually.
  - This means that new construction and land banks (not eligible in CDBG) will continue to be an eligible use of program income after closeout.

Post-Closeout Considerations: Program Income

- Beneficiaries must continue to include households with incomes up to 120% AMI.
- Program income will be tracked on the same cycle as the CDBG Consolidated Plan in order to simplify planning.
- Other requirements for use of program income following closeout vary depending on NSP program and grantee type.

Post Closeout Considerations: Program Income

Category 1 Grantee Type:

– NSP1 and NSP3 state and entitlement grantees

– NSP2 state and entitlement grantees who are members of an NSP2 Consortium subject to a consortium funding agreement

Post Closeout Considerations: Program Income

Category 1 PI Rules:

- Income generated for the duration of the NSP program is considered program income and must be used for NSP-eligible activities that meet a national objective.
- If PI generated from all sources does not exceed *$25,000* per year- use funds for administration or include in a CDBG activity.
- If the program income generated exceeds *$250,000* per year - 25% Set-aside Requirement applies.

Post Closeout Considerations: Program Income

Category 2 Grantee Type:

– NSP3 Non-entitlement Grantees with NO CDBG grant open at closeout

– NSP2 Consortium Non-Profit Lead Agencies or Members and NSP2 Non-Profit Direct Grantees

Post Closeout Considerations: Program Income

Category 2 PI Rules:

- Income received prior to closeout must meet all NSP requirements.
- Income received during the first five years following closeout-
  - must be used for NSP- eligible activities that meet a national objective.
  - Other cross-cutting federal requirements do not apply, including environmental and Davis-Bacon, for example.

Post Closeout Considerations: Program Income

Category 2 PI Rules (cont.):

- Income received five years or more from the date of the closeout agreement will be considered **"miscellaneous revenue."**

- Although these funds are not subject to ongoing NSP or CDBG program requirements, HUD encourages nonprofit grantees to use the funds in the same manner.

Figure 6 of the Closeout Guide summarizes all PI requirements.

NSP GRANTEE IDENTITY	POST CLOSEOUT PROVISIONS				
	Income Type	**Income under $25,000 per year**	**Income Exceeds $25,000 per year**	**Income Exceeds $250,000 per year**	**Period of Reporting on Program Income**
Entitlement and State • **NSP1 Entitlement or State Grantee** • **NSP2 Entitlement or State Grantee, Consortium Lead Agency or Member** • **NSP3 Entitlement or State Grantee** **Non-entitlement (local government) with OPEN State CDBG grant at time of closeout** • **NSP3 Non-entitlement Grantee**	Program Income	Use income for general administrative costs to ensure continued affordability of NSP units OR add to grantee's CDBG program income receipts (24 CFR 570.500(a)(4))	Use income for activities that are NSP eligible and meet national objective. For states, this figure is lower than CDBG and is the aggregate of all revenues received by the state and all subrecipients.	Must meet 25% Set-aside Requirement. Meeting 25% set-aside not required under $250,001	Report for as long as program income is available Annual Reporting DRGR/IDIS Program Income will be aligned with the Consolidated Plan cycle for CDBG funds
Non-entitlement (local government) with NO CDBG grant open at closeout • **NSP3 Non-entitlement Grantee** **Nonprofit** • **NSP2 Consortium Non-Profit Lead Agency or Member** • **NSP2 Non-Profit Direct Grantee**	Restricted Miscellaneous Revenue for first 5 years.	Program Income received before closeout must meet all NSP requirements. Program Income received for five years after closeout must be for NSP-eligible activity and meet NSP National Objective. No cross-cutting requirements apply (e.g. environmental). After five years, income is unrestricted miscellaneous revenue with no further requirements.		No restrictions	Report annually for five years from closeout.

Post Closeout Requirements: Land Banks

What are Land Banks?

- Governmental or non-profit entities created to acquire, manage, maintain, and repurpose foreclosed properties.
- Land banks may assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.

Post Closeout Requirements: Land Banks

Post-Closeout Requirements:

- Closeout Agreement will contain provisions for the identification of any program assets. This includes a list of real property held by a land bank.
- Land banks using NSP funds must ensure NSP properties are transferred or otherwise re-used within the 10-year period following closeout.
- 10 year-period begins on the date HUD signs the Closeout Agreement.

Post Closeout Requirements: Land Banks

Pre and Post Closeout Land Bank Actions:

PRE-CLOSEOUT LAND BANK ACTIONS	POST-CLOSEOUT LAND BANK ACTIONS
• Develop and refine land bank inventory and plan • Consider land bank management software- visit http://neocando.case.edu for example • Review Acquisition policy if still acquiring property- ensure purchases meet mission • Develop maintenance plan- include boarding up, lawn care and trash pickup • Develop maintenance budget- include maintenance, disposition costs, fees, and taxes. • Develop marketing plan for proposed uses	• Market Land Bank Properties • Manage redevelopment plans to prepare for disposition (for example, re-zoning or re-platting to combine small lots into larger buildable lots) • Dispose of properties according to policies and procedures of land bank • Maintain inventory • Conduct inspections • Maintain properties

Post Closeout Requirements: Land Banks

The Land Bank Plan:

As part of closeout, grantees with land banks need a plan documenting how the 10-year requirement will be met.

Post Closeout Requirements: Land Banks

The Land Bank Plan:

Plans should contain the following at a minimum:

- list of all properties with address and description;
- realistic strategy for specific, eligible redevelopment of each property (e.g. SF residential, open space)
- the projected timeframe for disposition.

Post Closeout Requirements: Land Banks

Other Land Bank Requirements:

- Land banks can use NSP program income to acquire new property after closeout, but must dispose of it within the 10-year period.
- NSP-assisted properties in the land bank at the end of the 10-year period revert to the CDBG program.
  - Properties must be used immediately to meet a national objective or disposed of in accordance with CDBG use of real property requirements at 24 CFR 570.505.

Post Closeout Requirements: Land Banks

Monitoring Land Banks:

Land banks should have a regular – at least annual – process to review the status of:

(1) all properties in the land bank inventory; and

(2) all properties that have been sold by the land bank subject to performance conditions.

Post Closeout Requirements: Land Banks

Monitoring Land Banks:

- DRGR or IDIS will be used to demonstrate that a property land banked at closeout has been obligated.
- Note: Line of Credit Funds **cannot** be drawn down prior to closeout and reserved for Land Bank stewardship.

Post Closeout Requirements: Land Banks

Land Bank Resources:

- NSP Demolition and Disposition Policy Alert (March 2013) link here: www.onecpd.info/resource/2888/hud-nsp-policy-alert-guidance-on-nsp-disposition-and-demolition/
- Watch for new webinars and written guidance on land banks.

Post Closeout Requirements: Land Banks

Land Bank Resources:

NSP Technical Assistance at www.onecpd.info to help:

– analyze markets

– understand options

– define a workable plan.

Post Closeout Requirements: Reporting

All grantees will report annually in DRGR following closeout on:

– the status of activities funded with program income that were open as of closeout

– any receipts of program income following closeout

– affordability information

Post Closeout Requirements: Reporting

- Nonprofits and non-entitlement communities:
  - must report program income for only 5 years following closeout
  - Must report on affordability for the length of the affordability period
- Entitlement and state grantees will report on the same schedule as their Consolidated Plan cycle.

Post Closeout Requirements: Reporting

- Entitlement grantees will eventually be transitioned to IDIS once the system is adapted for NSP.
- Nonprofits and non-entitlement communities that do not have access to IDIS will continue to use DRGR.
- Guidance on reporting will be issued separately as the systems transition.

Post Closeout Requirements: Reporting

Reporting on Affordability:

- A Management Plan for Continued Affordability is required as part of the Closeout Process (See Appendix G for template.)
- Grantee may use an excel spreadsheet that includes all required information.
  - Address
  - Responsible Organization
  - DRGR Activity #
  - Start of Affordability Period
  - End of Affordability Period

Post Closeout Requirements: Reporting

Start of Affordability Period:

- Homebuyer programs –

  Begins on the date of purchase (by the homeowner not the grantee) and loan closing (generally the same date.)

- Multi-family rental projects –

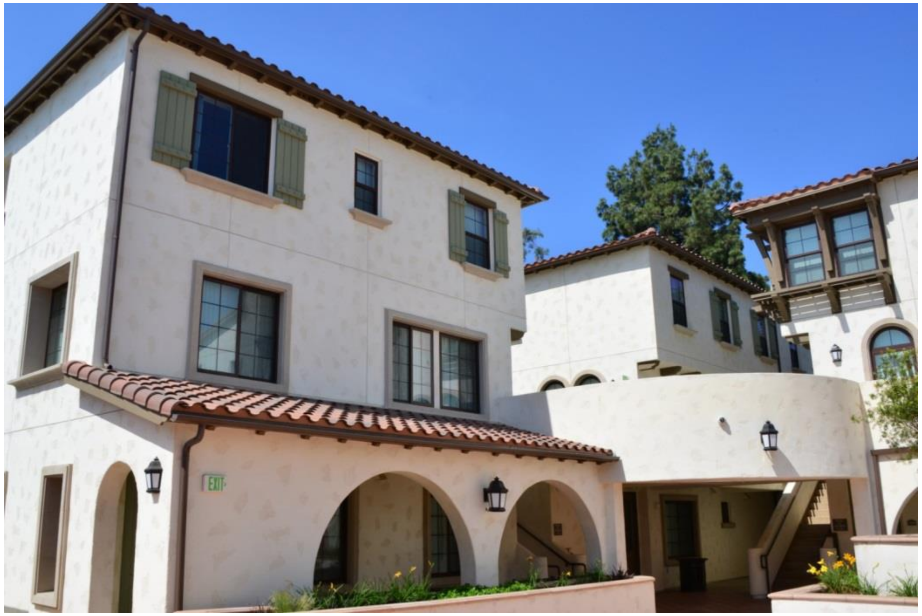
  Begins when the project reaches stabilized occupancy (sometimes called "break-even" cash flow) generally about 80-90% occupancy.

Post Closeout Requirements: Reporting

Reporting on Affordability:

- Grantee needs a system for ensuring that the NSP-assisted homes continue to be the principal residence of the eligible beneficiaries.
- Rental properties must continue to be made available to income-eligible residents only for the duration of the affordability period. But there is no annual income certification as in HOME.
- Grantees should have internal policies and procedures in place for monitoring affordability.

NSP2 and NSP3 Grantee Requirements



Special Considerations-
NSP2 and NSP3 Grantee Requirements

Certain requirements apply to NSP 2 and NSP 3 only, and they must be addressed prior to closeout.

- NSP2 Unit Performance Measure
- NSP2 Action In Target Area
- NSP2 and NSP3 Demolition Restrictions
- Green and Energy Efficiency Requirements

Special Considerations-
NSP2 and NSP3 Grantee Requirements

NSP2 Unit Performance Measure

Either return a minimum of 100 abandoned or foreclosed homes back to productive use or otherwise eliminate or mitigate negative effects on the stability of the target area.

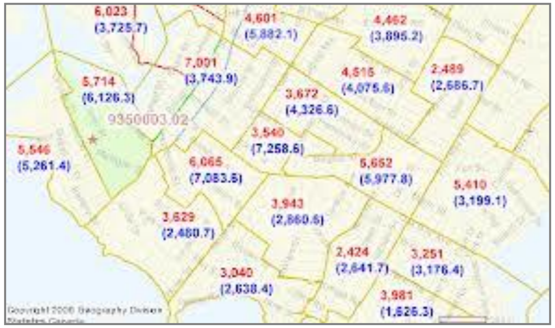
- Demonstrate due diligence was conducted in advance of the project
- Document good faith efforts were made to achieve this goal and include in narrative of final QPR in DRGR.

Special Considerations- NSP2 and NSP3 Grantee Requirements

NSP2 Action in Target Area

The grantee must show that it worked in all of the Census Tracts proposed in its application and/or subsequent amendments.

- If not then it will be necessary to amend the Action Plan to align the target area with actual projects.
- For more guidance, see NSP Policy Alert- Guidance on Amendment Procedures (released on April 3, 2014)



Special Considerations- NSP2 and NSP3 Grantee Requirements

Mapping Target Areas

Previous foreclosure needs map is outdated and may no longer reflect the foreclosure market in NSP2 target areas.

- NSP2 grantees that are adding census tracts to their approved target geographies must now use the updated data available at http://www.huduser.org/NSP/nsp3.html.
- Unlike NSP2 mapping previously, grantees are no longer constrained to Census Tract boundaries and can align target areas more precisely with their intended service areas.

Special Considerations-
NSP2 and NSP3 Grantee Requirements

Mapping Target Areas

- Further, HUD improved mapping capabilities for NSP3, allowing NSP3 grantees to draw the outline of a targeted neighborhood rather than selecting best fit census tracts.
- This method allows a better correlation between the data provided and the target geography.

Special Considerations-
NSP2 and NSP3 Grantee Requirements

Mapping Target Areas

- Neighborhoods identified by the NSP2 grantee as being the areas of greatest need must have an average score for the grantee's identified target geography that is not less than 17.

- Create the Areas of Greatest Need map by following the instructions at the HUD NSP Mapping Tool for Preparing Action Plan website

  http://www.huduser.org/NSP/NSP3.html

Special Considerations-
NSP2 and NSP3 Grantee Requirements

The Mapping Tool

- Assists in preparing data for the public comment period and grant applications by allowing applicants to draw the exact location of target neighborhoods.
- Calculates the number of housing units, Neighborhood NSP Score, and State Minimum threshold NSP score of the area drawn and sends an email back to the applicant within 24 hours.

Special Considerations-
NSP2 and NSP3 Grantee Requirements

- Sends an email attachment containing the necessary data for the NSP2 amendment, along with information HUD can use to confirm the intended program area.
  - This document should be included with any Action Plan amendment submission. If a grantee has more than one identified target area, it will need to include the PDF for each area.

Special Considerations-
NSP2 and NSP3 Grantee Requirements

Green and Energy Efficiency Requirements

Requirements Differ by Program

- NSP2 grantees: Demonstrate compliance with notice, grant agreement requirements, and NSP2 application.
- NSP3 grantees: The 2010 Unified NSP1 and NSP3 Notice in Subpart I describe the requirements for green and energy efficiency actions.

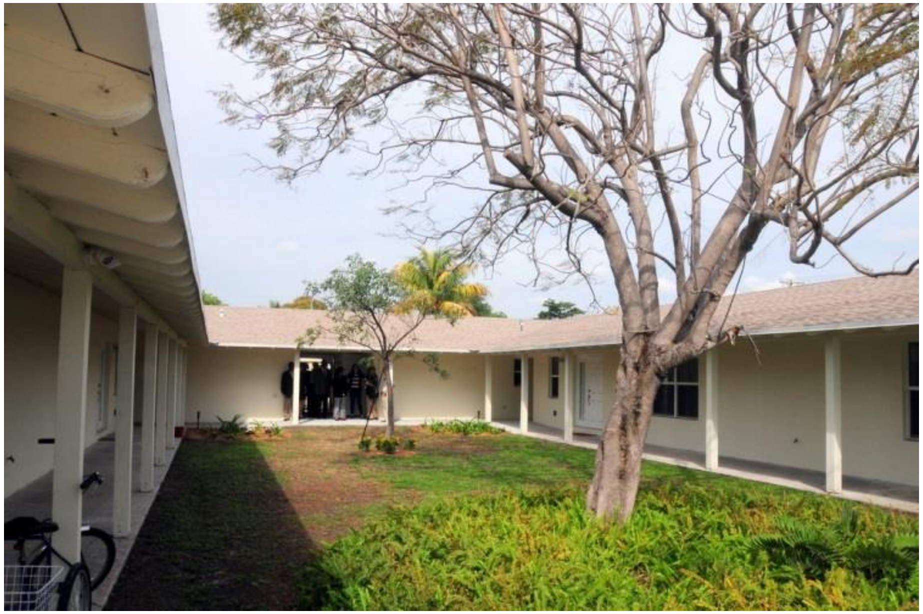
Special Considerations-
NSP2 and NSP3 Grantee Requirements

NSP2 and NSP3 Demolition Restriction

NSP2 and NSP3 grantees must be able to demonstrate that no more than 10% of their grants were expended on demolition.

– Any waiver requests and approvals, along with all grant-related correspondence, should be included in the grantee's files.

State Grantee Requirements



Special Considerations-
State Grantee Requirements

- HUD will work directly with grantees on closeout, not individual subrecipients.
- Subrecipients should follow guidance from the grantee and comply with their subrecipient agreement.

Special Considerations-
State Grantee Requirements

- PI policies will be set by State to show how State will allocate future PI

- PI is aggregated at State level (even if retained by subrecipients) and follows $25,000 rule.

Questions

Questions can be asked in two ways:

1. Verbally via the conference call - To ask a question, press *1 on your telephone keypad and you will be added to the queue.

   OR

2. In writing using the Q&A tool in Webex

NSP Webinar Resource Links

Resources on the OneCPD Resource Exchange	
Search the OneCPD Resource Library	https://onecpd.info/resource-library
Search the NSP FAQs	https://onecpd.info/nsp/faqs/
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