NSP Webinar Transcript: NSP Closeout Instructions
Tuesday, February 25th, 2014
2:00-4:00pm EDT

Kathy Kaminski: Thanks everybody for joining us. My name is Kathy Kaminski with TDA. I am just going to go over some webinar instructions quickly before we get started. So, if you, we had some slides rolling, if you had a chance to read through those. We will be taking questions both via the telephone conference and also on the webinar using the Q&A tool. If you have technical problems, feel free to call George Martin at the number listed, or you can use the chat tool on the side of the screen and send a chat to the host, that is me, Kathy Kaminski, and I can help you out.

Everybody is muted during the call, and questions can be asked in two ways. You can use the conference call or the Q&A tool in WebEx. To ask a question verbally, press *1 on your telephone. We will stop at a few points during the presentation and afterwards, and you will be added to a queue. Once it is your turn in the queue, your phone will be unmuted for you to ask your question. If your question is answered before your turn, you can press *2 to be removed from the queue. We already have one written question. You can ask written questions by using the Q&A tool on the lower right-hand side of your screen. Please ask your question like the screenshot here of it. Please ask your questions to all panelists.

I am going to hand it over to Jennifer Alpha for our welcome. Go ahead, Jennifer.

Jennifer Alpha: Great, thank you, Kathy. As Kathy said, my name is Jennifer Alpha here with TDA and I want to welcome you to the greatly anticipated NSP Closeout Instruction webinar. We have got quite a crowd gathered today, so we are excited that everyone has been able to join us. Today, you will be hearing about an overview of the closeout instructions for NSP 1, 2 and 3 grants. These instructions were published on February 11 in CPD Notice 2014-02, in case you are interested in taking a look at the written instructions as well. This is the first in a series of three webinars focused on assisting grantees in understanding the closeout process. Today's presentation will cover the criteria an process at a high level, while the next two webinars will provide more detailed guidance. So, you will have opportunities to learn and ask questions both today and in the future. At this time, I will turn it over to Hunter Kurtz [PH], and he will get us started.

Hunter Kurtz: Thank you, Jennifer. Again, my name is Hunter Kurtz. I am with the HUD headquarters here in Washington, D.C. Joining us is David Noguera and John Laswick, the co-team leaders of the NSP team. And, some extra guests, we have Jim Yerdon and Chris Narducci from, our DRGR experts, helping us out, and trying to handle any DRGR questions you might have. So, thank you all for joining us today.

I just want to go over real quickly what we are going to be covering today, which is sort of an overview of the closeout release/rollout. When you are going to be ready to closeout, the actual process will take place. So, we are going to talk about some more detail subject matter is the 25% set aside programming come and land banks, and then we will talk about a couple of potential problem areas that we foresee.

So, to start off with the closeout release. As you know, a draft version of the notice has been released, and I want to emphasize today there is a draft version. We need to complete something called the Paper Reduction Act, or the PRA, which is a process we go through with OMB to determine the burden that we place paperwork-wise, and we are seeking an expedited PRA process. And, I think it is probably safe to say that this is going to take us at least a month, this expedited process. So, it may be a little longer, maybe a little less, but, you know, it is going to take a little bit of time. At that point, the document will be final and we do not expect any changes to the document during this, the PRA process. It is very rare to have an issue that requires us to redo the document. But, no closeouts can be completed or approved using this document until the PRA process is finished.

I want to emphasize something for you all out there. I know some of you are, have grants and other programs that this document covers. That does not mean that you cannot continue the closeout process if you have started one, for instance, in CDBG-R, using the old document. We are not switching over to this one until it completes the PRA process. And, that is something else I want, failed to mention earlier is that you will notice that the document has, the notice has the closeout instructions for various programs here in the Office of Block Grant Assistance. So, the CDBG programs, including CDBG for entitlements, states, CDBGR, disaster recovery. So, there is, we are going to focus on NSP today, that it, there is other, so this document is sort of overreaching to other grants.

But, that does not mean, though, that just because you cannot close out your grant today, does not mean that you cannot start looking at the document, start completing the forms. And, you know, we are going to be offering TAs soon to help you with this process. If you think you are ready to close out, it is not a bad idea to reach out to your field office, things like that. I mean, start thinking about that type of stuff that you can do today. But, I want to emphasize one thing that we do not have here on this list when we talk about things you need to do today. If you are an NSP 3 grantee, your number one focus should be and should remain meeting your expenditure deadlines, because we have some of those coming up starting—we have already one already. And, so, you know, that should be your main focus. Closeout, there is not time requirement to close out your grant, so you have plenty of time to worry about this in a month or two.

Just to sort of give you a heads up of, you know, we are talking about the other webinars and what has already taken place. We briefed the field offices on this and we did a call with our TA providers. Today, we are, the 25th, we are doing this to you all. We are going to be publishing a guide with the help of Jennifer Alpha and everyone there in TDA. And, that should be coming out early to mid-March, and that will provide some sort of clearer direction on how to interpret all the materials. And, then, April 3rd and 8th, we will be doing two webinars that are going to be a lot more detailed, talking about how to fill out forms, things like that. We are also probably going to break those webinars up for entitlements and smaller grantees, and then larger grantees in the sense like states and consortium with a number of sub-recipients. So, be on the lookout for some more information. We will be sending that out soon.

So, how, when are you ready to close out? Two things need to happen. The first is you need to ensure that any project that has even a penny of line of credit funds has met a national objective. Now, this is a little different than what we have talked about in the past with expenditure deadlines where we say that you need to expend an amount equal to your initial grant allocation to meet the expenditure deadlines. And, that could be made of line of credit funds and program income. Well, for this we are now talking about line of credit funds. So, projects that are, any time you are drawing funds from your line of credit, that project has to meet a national objective which is typically someone living in the house to close out the grant. This is important because a lot of grantees have a fair about of program income. So, they are getting to be able to reach down to the line of credit, and you may want to consider adjusting your program in a way that will allow you to spend for funds a little more rapidly so you can get those line of credit funds out. The second thing, and we will talk about this in a little more detail, but you need to meet the 25% set aside requirement, and we will get to that a little later on. Some minor changes we have made to that.

So, the closeout process, here is a little chart that we put together that just sort of explains how everything is going to go. And, we are actually going to walk you through each one of these steps. But, as you can see, one thing I want to point out is step one, three and six, technical assistance is going to be available to the grantees. The other thing to notice is that you start with green, end with red, blue is something HUD does and purple is something the grantee does. So, that is…

John Laswick: And, you do not have to take notes on this, because you are going to see this slide twelve more times.

Hunter: [Laughs]

John: I never knew there was a color code. I am impressed.

Hunter: [Laughs]

John: Geez, Hunter, you just surprise me all the time.

Hunter: [Laughs] So, step one is that the grantee and the HUD generally determine that the grantee is ready, and again, you need to ensure that every project with line of credit funds has met a national objective and the 25% set aside has been met. You guys should work with the field office to review the closeout packet, to ensure that you are ready. Grantees should continue to work on having complete and accurate QPR, which we will talk a little more about a little bit later. And, there will be technical assistance available to help you. You know, this is, after you have met your expenditure deadlines, it is probably not a bad idea to sit down and just flip through those forms, and especially that checklist and make sure that you can answer the correct way each one of those questions.

I want to point that the guide we will be releasing in a couple of weeks is going to have some helpful hints on completing that checklist and sort of direction on each one of the questions that it asks. Look at the forms, just think about are you really ready to close out, and if you think you are, it is probably not a bad idea to reach out to the field office and get their opinion and thoughts on this. It is going to be a fluid process. There is not a kind of absolute time. So, there is, open up that conversation with your field office. See if they are seeing things the same way that you are. You might not have everything wrapped up at that point, but at least you will know where you got to get to. So, step two is once the, you and the field office feel that you have met all the requirements and that you are ready to close out, HUD is going to send you the closeout package to the grantee. And, you can find the package in Appendix 5 of the closeout notice, and it will be a letter from the field office to the grantee, as well as the checklist, the closeout certification and the NSP management plan for continued affordability.

Next slide, we will just sort of see this wonderful chart again. So we have now gone through green and the first blue step, so then we go on to the next one. Now we are purple, now we are purple. Now, the grantee has the package and is going to have to complete it and submit it back to HUD. One thing I want to point out right off the bat is that you will notice that the closeout certification has information that both the grantee and the field office will fill out. When you receive it, it should be blank and you will fill out only your section and then the field office will fill it out later in the process, which we will get to. Two things that will not be in the packet, but need to be submitted by the grantee is an inventory of any real property and equipment purchased with grant funds. This is sort of a standard CDBG requirement for closeout, as well as the land bank plan, for any land bank properties. And, this should include a list of all land bank properties that are available.

John: So, even though these are not part of the official package, we will be providing some guidance and support on that, on these as well.

Hunter: I would not be surprised if in the future you see some webinars on the land bank plan.

John: I bet you will.

Hunter: One other thing to note is that the NSP management plan for continued affordability, you will notice in the, on the form that it talks about the fact that you can submit that as an Excel spreadsheet. We are working and feel pretty confident that we are going to be able to develop a way that you can actually download that information from DRGR and vice versa, upload that information into DRGR. We are working with our, the lovely folks that are our contractor to make that happen. So, we are excited about those changes. One thing I should not is that TA, again, in this step will be available.

So, you submit to HUD all that information that came in the packet as well as those two forms, and then HUD is going to review the package. And, each review is going to be different depending on the grantee and the field office. It is how their knowledge and what they know about you and how they work with you. But, some things that they are going to definitely, probably take a look at, definitely, probably, yes, very definitely there, [Laughs] is your substantial amendments or NSP2 NOFA application, your DRGR action plan and any other amendments that you may have had, your line of credit, obviously, any relevant audit reports or monitoring letters, and probably take a look at DRGR reports and any other reports that they may be interested in. I want to make sure that you understand that the field office is not, they can sort of look at whatever they want. They are not limited by what they can look at.

Move on to the next shocking there, I think we can [laughs]. So, if we move on to step five. Once the field office has looked over the information, they are going to complete the rest of the closeout certification and then submit that certification to you, or a copy of the executed certification to the grantee. Go on to the next one. After you receive that certification, you are going to have 90 days from the day that HUD executed it to submit your final QPR, or your complete and accurate QPR. And, what is important to mention in this is that you have to ensure that all the numbers add up, and that you are telling a complete story about NSP. As many of you probably have done and have done in the past is you might have a situation where QPR, the numbers do not add up for some reason. And, you write in the narrative, they do not add up because of X, Y, and Z. Well, we are not going to be able to do that this time. This time, you are going to have to make the numbers work. The narrative, you are going to want to explain what you have done. This is sort of your final major report to HUD about the program. So, you want to tell a complete story about it. TAs are going to be available for this process, and the other thing I want to mention is that we will probably be doing some webinars on this, too. [Laughs]

John: Well, yeah, so this closeout checklist on a QPR are really the kind of bigger documents here, unless you have a, maybe a land bank. But, this, as Hunter was saying, this is your final story. This is your kind of complete version of the NSP program in your town. And, so I am sure that other organizations are going to be interested in this. And, so you will want it to be a good, solid document. I do not know if we are going to talk about TA a little bit more later, I just wanted to mention since we said TA is available, that it probably will be remote TA in most cases, which means that a consultant can be assigned to you. You can request help. We will assign somebody to you and typically they will work with you on the phone and over the computer. And, we think that most problems can be solved or they can kind of get you through the forms. There may be certain cases where we have to send somebody out on site, but we think this is going to be a pretty quick process to assign those things and then get back on. We do it, we have our remote TA process now that takes us about seven to ten days to turn around a request into a work order. So, that will be fast and that will be kind of a light touch, I think.

Hunter: One other thing to mention about the final, or the final complete and accurate QPR is that you may have already submitted it. It is entirely possible that this is something that you were confident in it early on in the process, so you just submitted it then. One thing, another thing to mention is also when we talk about submitting, obviously, we are talking about just your standard way of submitting the QPR. In the closeout notice published back in 2012, there it talks about submitting to the field office, and I just to ensure folks that please do not print out your QPR and mail it to the field office. We do not need that. [Laughs]

Our next step, and we are getting there close here folks.

John: Where is the button? I am lost.

Hunter: [Laughs] HUD is going to review this final QPR and if they find it satisfactory and complete and accurate, they are going to prepare the closeout agreement. And, at that point, you are pretty much there. So, they are going to prepare it and work with the, you can go to the next step. Oh, I think we got the map here. There you go. So, once everything. One more, I think John is trying to make the point that maybe I put this too many times in the webinar. [Laughs]

John: This is after I clicked a couple out.

Hunter: [Laughs] So, after the closeout agreement is prepared, the grantee and HUD are going to execute it. And, it is important to note that the day that HUD executes the agreement is the day that the grant is considered closed. And, this date is important for a couple of reasons. The first is the, for QPRs, you are going to switch over to annual reporting, so you will no longer have to submit in a quarterly period, and this will begin for, begin after the agreement is executed. I think we are going to try to move most of you over to your annual con plan submission, so that will, you may have an abbreviated year that first year, but at least all your reports will be sort of due at the same time.

John: Right. Well, and it will allow you to account for your program income in an orderly way, on the same schedule they are looking at CDBG budgets and that sort of thing.

Hunter: And, also important for the 25% set aside, which we will talk about in a little bit, and program income and as you know, the land bank property, you are required to dispose of all land bank property ten years after closeout. And, that is the date at which that ten-year clock will begin.

So, now that we have talked about the process, I want to talk about a couple of issues. And, this is probably the biggest change that we are going to see that came out of this document, and I think it is probably going to make a lot of people's lives easier, is that you are required to expend 25% of your initial grant and program income to house families at or below 50% area median income. And, what we have done is basically given you a three-year extension for program income. So, at the date of closeout, you need to demonstrate that you have done, expended 25% of an amount equal to 25% of your national grant of either program income or line of credit funds towards that, the set aside. And, then you have three years from that date to demonstrate that you have met the 25% set aside for all program income at hand at the date of closeout, or all program earned before the date of closeout. And, again, this can be made up of program income or line of credit funds.

I just want to point out that this change does not change any other rules for program income earned after closeout or before. You are going to still have to meet this 25% set aside for that program income and so it is going to keep sort of going on. I have a little example here, and to try some of this. So, if you got a two million dollar grant, you would need to expend at the date of closeout $500,000, for the 25% set aside. And, again, we do not care if this is line of credit funds or program income that you have earned. But, you just need to have expended at least $500,000 before you can close out your grant. Now, you have earned $100,000 of closeout, or I am sorry, program income by the date of closeout. So, that would mean that your total set aside requirement is $525,000. So, at closeout, you have expended $510,000 towards the 25% set aside, so that would mean that you are $15,000 short. So, you have three from the day of closeout to expend an additional $15,000. And, again, this can be made up of, well, it is probably going to be made up of program income. But, the reason we say it could be made of program income, line of credit, is because we want to give you credit for anything you spent before the closeout towards that set aside. But, I want to emphasize that this does not change any of the rules that we are going to talk about for program income earned after closeout, that you still have all of the same requirements that are there for those. I think somebody said, or you may be seeing it in the guide that we are publishing, it is like a homework extension. It does not mean that you do not have to do all the other homework assignments that you received in the process. It is just we are giving you extension of three years for that one assignment.

So, we talk a little bit about program income outside of the 25% set aside. For states, entitlements and non-entitlements with an open state CDBG grant at closeout, program income stays the same as current program income. There is really no rule change. For NSP 2 non-profits, and NSP 3 non-entitlements without an open state CDBG grant, program income received prior to closeout is treated again as the same as current program income. Program income received during the first five years after closeout must be used for NSP eligible activities that meet a national objective. But, all the cross-cutting requirements no longer apply. This includes environmental, Davis Bacon, all these other requirements. It does not mean that we are not encouraging you to abide by those, but you do not need to do them. And, then program income received five years after closeout is considered miscellaneous revenue. So, again, we encourage you to expend the funds for NSP-related activities.

So, for those states, entitlements and non-entitlements with open CDBG grant, in a year that you earn program income, if it is less than $25,000, it is not considered program income. But, you have got to use the money for either NSP administrative activities or CDBG activities. If you earn $25,000 or more, but up to $250,000, again, it is program income, but you do not need to do the 25% set aside. And, anything over $250,000 is treated like program income and you need to do the 25% set aside for the entire amount. And, I want to emphasize that if you earn $25,000 and one dollar, that does not mean that the first $25,000 can be used for NSP admin or CDBG activities, and only one dollar needs to be used in an NSP program. It means all $25,001 needs to be used for the 25% set aside. And, the same thing applies to the $250,000.

John: Now, the logic on the $250,000 is that you have to spend 25% of it and so that would give you about $62,500 as a minimum to be used for that set aside, low income unit. And, that is probably what the least amount that you would end up having to pay or most places you could not do something for much less than that. So, that is why we made the limit 250.

Hunter: Land banks, we kind of talked about this earlier, but just to repeat it again. HUD signs the closeout agreement and that ten-year obligation deadline starts. And, just sort of a couple of subsequent uses you can think about, you got public improvements, land trusts, transfer to CDBG program, affordable housing and something in a redevelopment plan. If the properties are not used within the ten years, then it reverts to the CDBG program for immediate use. That is kind of an important thing to keep in mind there.

John: And, this is just a list of additional subsequent uses. You could do anything that you could do through the regular program, but we realize that land banks are going to probably take, they are working in a little bit different environment. And, then also I would suggest if you have not read the disposition policy, if you have a lot of land or properties left, that you look at this, because we are allowing subsequent uses that meet a national objective even if the project itself is not eligible for NSP funds. So, for example, you could build a little park with your CDBG funds or local revenues and that meets a, and the service of low, moderate or middle income area, and that would be an acceptable subsequent use. So, just because you cannot pay for it with NSP does not mean you cannot do it somehow and get that off the land bank rolls. And, as Hunter said, we will be having more material on land banks in the next couple of months.

Hunter: So, potential problems that we foresee grantees having. The first one that I, you know, sort of weak records, poor land inventory, cannot provide accomplishments, financial errors, etc., that is just stuff that you should consider before you get ready to close out. Go back, take a look at your records, see if you can, what you can do to sort of beef up all of this stuff so that you have the information required to close out. Obviously, the 25% low income set aside not met, your land bank does not have a strategy, long-term affordability not accounted for, for NSP 2 grantees. You have the green building standards as well as a 100-unit minimum and the fact that you need to work in every census tract that you said you were going to work in.

I want to talk about both of those last two there for a second. 100-unit minimum, that was a requirement for NSP 2 grantees, that they affect at least 100 units. And, I know a lot of people have been very concerned about this 100-unit requirement. I just want to ensure you that we are really, because we did have to reduce the NSP 2 grantees to reach a broader, reduce our allocations to reach a broader group, that we will only be looking for a best effort. So, you will probably, you will have to provide your field office with an explanation of why you did not meet this 100-unit requirement if you did not. But, you, we are looking for you just to demonstrate that you did the best you could with the funds you had. And, census tracts, you have, for NSP 2 grantees have to work in every one of the census tracts they said they were going to work in. This may require an amendment to remove census tracts that you have not worked in, or never reached. That is something you need to keep in the back of your mind, because if you have to amend or take census tracts out, you still need to ensure that you have the correct need score that you are required to have. So, that is something you really got to spend some time thinking about. And, then for NSP 3 grantees, the green building standards again, just something to keep in mind.

So, that is sort of it, you know. Take one last look at this process. We do not want to forget it. So, that is sort of our large overview of the closeout process. Be happy to take your questions now, and again, I want to emphasize that we will, we are going to be providing a lot more information with a lot more detail. And, so if you that this is not the last that we will be providing you with help, I guess is the best way to put that.

John: Jennifer and Kathy, can you read us the questions?

Kathy: Yeah, we have several written questions. I also want to check on with Shirelle, our operator and see if anybody has queued up to ask their question verbally.

Shirelle: And, as a reminder if you would like to ask a question, you may do so by pressing *1.

Kathy: Thank you. All right, Jennifer, we have got about ten questions asked in the Q&A and I have got another six or eight that were sent directly to me on the chat. So, Jennifer, you want to start with the ones that you are reading there?

Jennifer: Sure. First question is I would like to verify that we have met the 25% requirement to share 50% out of my household for NSP 1. What report will HUD run from DRGR to make this determination prior to closeout. I want to make sure I have the accurate data in DRGR.

Hunter: That type of question is why we have Jim and Chris here.

Jim Yerdon: There is an expenditure report in DRGR that you can run at any time. In addition, there are some custom reports that you would, as the grantees do not see, but your rep gets on a weekly basis from headquarters that looks at your overall expenditure and your 25% expenditure and calculates a percentage. You might check with your rep. They get them typically every Monday or Tuesday.

John: There is an expenditure report in DRGR, was that…

Jim: Yeah, it is under the financial reports, but I do not remember the name off the top of my head. It has got expenditure in the title.

John: So, there is a way to verify that, in other words.

Jim: Yes, absolutely.

Jennifer: Okay. Great. The next question, are single family properties purchased through NSP 1 or 3 in inventory but not yet rehabbed considered a land bank?

Hunter: You would need to have an actual land bank in place to have the property considered a land bank.

John: You may resort to that, but chances are those are just uncompleted units, so they have not currently met…

Hunter: A national objective.

Jim: Right, so you are not ready to close out.

John: Right. You are not ready to close out. Now, if you have not met a national objective and you have not got any money left, then you need to talk to us, because something has got to give there and we will have to decide whether it makes sense to put you out or, you might need a formal land bank, depending on the circumstances. Or, we may be able to help you with some TA to figure out you get these units financed and occupied. That is what we would rather do.

Kathy: I have another question on land banks while we are on the topic. From John, and he asks, he has a question that involves item three on page 72 of the closeout instructions. And, that is related to does a grantee have a feasible plan for land banks. He wants to know how is this determined, the feasibility that is, on is the land bank plan submitted and approved by HUD prior or before the closeout process and what is the process for approval of the plan.

Hunter: We will, this is again some of the stuff we will be talking about a little bit in the future about the land banks plans, but, and this is also probably something that on step one the working with the field office. You are going to want to talk about your plan and what you are planning on doing and get their input into what they think is feasible. But, we will be providing more guidance in the future. But, in general it is a plan that makes sense for disposing of these properties within ten years.

John: Yeah, I mean there is sort of a minimum standard of just having in effect a goal for every property. But, what we would like to have you do and what we would like to help you do is to come up with a real strategy for getting there. And, that does not necessarily always just come with a hoped-for outcome. I mean, you need to have, you need to take some actions and what are those actions. So, yeah, so at a minimum as far as actually closing the grant out it is sort of set of goals and objectives, but we would like to flesh that out with you through the TA process and through some additional training. And, I am sure a lot of the plans out there are quite good, but you cannot control your market conditions either, so what happens if this or what happens if that. And, we would like to, we will have some webinars to kind of guide people through that.

Jennifer: Okay. This question is from Donald. He asks some final bills for NSP 3 may not be received by the closeout date. The bills can be utility bills, consultant closeout of suspense, possibly some maintenance bills, insurance, etc. I expect the costs will be minor, however, will this be an issue?

Hunter: Well, there is no deadline to close out grants at this point. So, I mean, if it is a matter of waiting on extra money to get the bills in and paid then we will probably do that. There is a way to close out the grant with contingent liabilities, but, for these kind of routine things, we would probably just hold up the process.

David Noguera: One thing I will add is that it is expected that you, the grantee, will be incurring costs post-closeout. The key is that you have either program income on hand or some other source of funds to pay for those, because the important component with closeout is that your line of credit will no longer be accessible to you. So, again, it is find to have bills coming in after the fact, just make you were not reliant on the line of credit to pay for them.

Hunter: Yeah, the program income, yeah, it needs to be where you are getting the money for those bills.

John: Yeah, and I do not, on that point, I think we need to say that we will, we do not expect everybody's line of credit to go to zero, but if it goes down to $400 or $4,000 or some other amount that really is not usable, I mean, that amount could get cancelled at that point. But, we are not looking for that money, so we are going to work with you to get that number down as far as possible. But, if it does not go all the way to zero we can still find a way to close the grant.

Jennifer: Okay, Sarah asks how could a grantee adjust its program to be able to spend grant funds when it has a lot of program income to spend first? Thanks for any suggestions.

John: Well, there is the HUD employees Christmas fund.

[Laughter]

John: No, the primary way is through a revolving loan fund. And, what that allows you to do is to segregate a program, typically something like ACK [PH] rehab that generates program income into a separate pot. And, once you designate it as a revolving fund, and it is not a complicated process. Once you designate it then any program income that comes into that fund only gets spent first for those activities, which means that then you can spend, if you are doing demolition also, you can spend the demolition money without going through the program income to get there. The only real proviso on that approach is that you have to have more than one real activity. I mean, if all you are doing is acquisition rehab, then setting up a revolving fund is not going to help. So, you have to have other activities that you are spending money on.

Hunter: I think something you should really keep in mind if this is an issue is get some on-call TA. We can provide you with a couple of hours, somebody talking to you and talking through this problem and coming up with some ideas that would fit your circumstance.

Jim: Right. There is a fact sheet on the resource exchange on how to set that up. Look for DRGR Release 7.3 fact sheet.

David Noguera: One other thing I wanted to add is that we do not expect all grantees to be ready to close out out of the gate, right. There is going to be those of you who have exhausted your line of credit and have completed your activities, and those are the ones we will be working with first. For the other batch that are still generating a lot of program income and it really does not make sense for you to try to close out just because you are using the line of income, you are using your program income. For those people that fall into that case I would say take your time, because there is no closeout deadline, and understand what the rules are pre-closeout and post-closeout, right. If you are an entitlement community or a state, the rules are not going to be that significantly different, right. It is mostly for the non-profit settles that will be very different. So, please do not redesign your program for the sole purpose of closing it out faster. But, if you are concerned about the way in which, or the pace in which you are drawing down funds, then definitely work with our TA providers, work with our reps and reach out to us here at headquarters.

Jennifer: Thank you. Nicole asks can you please clarify that line of credit is the same as NSP entitlement funds.

Hunter: Well, what we are talking—I am not 100% sure what NSP entitlement funds are. But, what we are talking about is the different between what is actually in your line of credit that Treasury has an account that you draw from versus program income you have on hand. So, if you receive, if you rehab a home and sell it and then you get a check, well, that is program income. That is not line of credit funds. But, when you draw funds from Treasury, those are line of credit funds.

John: It is your original grant amount and it is, so it is the original grant amount and the problem is you may have spent more than that, because you have program income coming, so you still have money left in that line of credit. So, that is the distinction.

Jennifer: Okay. Michael asks will home buyer rehabilitations which are underway but not completed by March 11, be allowed to go forward and expend the allocated NSP 3 funding?

Hunter: Sounds like an expenditure deadline question, that is different than closeout, just not to confuse everyone. But…

John: Right. You do not have to have homes occupied to meet the expenditure deadline, but you do have to spend the money. So, the answer is no, you do not have to have those houses occupied to meet your expenditure deadline. You have to expend an amount equal to your grant by the deadline. So, the closeout typically is going to be months if not years after you have spent all your money, precisely because some of the program income amounts are 60, 70% of the original grants now in certain stronger markets. So, those places are having a tough time getting all of their grant funds spent because they get so much program income coming in. But, you do not have to have the houses occupied to meet the expenditure deadline. You have to have them occupied to close out, which does not have a deadline.

Jennifer: Okay. We have seven other questions on the expenditure deadlines. Heidi asks will there be any recapture or reallocation of funds from those who do not meet the expenditure deadline to those who have?

John: Ah, the piranhas are swimming.

Hunter: Recapture, yes, reallocation, no.

John: We have taken funds back, we will take more funds back. They go into the secretary's disaster fund, which is used for natural disasters and not for NSP.

Jennifer: This is a question on slide 23. Stella asks does the program limit refer to the total earned during the grant period, or the program income amount earned after the closeout agreement date?

John: It is an amount of program income earned per year after closeout. You are only going to have program income at that point, so you will not have a line of credit left. But, this is all an annual amount of program income, so some years you might be above $250,000 and have a set aside requirement and some years you might be below and not have a set aside requirement. Some years you might have just a trickle of funds and those become admin money, because they are less than $25,000. But, that cycle will line up with your CVG con plan cycle and you can plan for what the requirement is based on the revenues that you have gotten during the year.

Hunter: That may mean that your first year is only three months, four months. But, that is just going to make your life easier in the long run, so that is why we are doing it that way.

Jennifer: Okay. We have two questions here on the 100-unit minimum. Jackie asks does demolition count towards the 100 units for NSP 2?

Hunter: Yes.

Jennifer: Yes, okay. And, then Joseph asks regarding 100-unit minimum, what counts as a unit, a demolition and then land bank, is it units or properties?

Hunter: It is 100 units affected by NSP 2 funds. So, it is either you have built 100 units, or I am sorry, you have rehabbed 100 units, you have rehabbed some units, demoed some units, and it is unit would be if you have an apartment complex with 100 units, those would be 100 units, even though it is one building.

Jennifer: Great. Cindy asks should we request TA through our field office NSP rep?

Hunter: On OneCPD.

David: OneCPD website.

Hunter: The OneCPD website has a TA request function there.

Jennifer: Great. Karen asks when entering expenditures into DRGR for the upcoming NSP 3 expenditure deadline, how far into the future are we allowed to account for administrative expenditures?

John: Up to and including the date of the deadline, but not into the future.

Hunter: So, if your deadline is today, you can count admin expenditures until midnight today.

Jim: They are all working overtime.

[Laughter]

Hunter: But, at 12:01 February 26th, there are not more admin expenditures, right. Now, you may have admin expenditures that you expend through program income you have earned and those types of things, but it does not count toward your expenditure deadline.

John: The other thing to keep in mind, and I do not know if this is part of the question, but if you have spent 100% of your grant amount and then you have some program income and you have not spent all of your administrative budget, 10%, you can push that budget back. So, you do not have to cross the finish line with exactly the same proportion of expenditures as your application, you just have to spend that amount of money. And, you are allowed to kind of delay to a certain extent the admin costs as long as you stay within that budget.

Jennifer: Okay. Annette asks the question about equipment purchases. She says what items are considered equipment purchases. I know it includes computers, printers, but what about calculators, small tools like hammer and drills. Is there a dollar amount that should have been spent on the items to be reported.

John: Get Sarah in here and ask here. Sarah Stewart has just written an equipment guide for us…

Hunter: So, if you can hear us Sarah, come on into the office.

[Laughter]

Hunter: That is as she says, "Speak louder you guys." There is a dollar limit, but we thought we would let her tell you what it is. So she is, the question is there a dollar limit on equipment.

Sarah: So, the equipment threshold is your capitalization level of the city that is the grantee. So, if, normally it is $5,000. If your city has designated a lower threshold, then that is the limit that would define the difference between equipment and supplies. So, normally tools that are less expensive would be supplies and materials are not considered equipment. So, you need to find out from your city financial department what your capitalization threshold is.

John: And, that policy will be coming out very shortly. Sarah has been working on it very hard for a long time, so.

Hunter: And, we will get more information about this inventory that you need to provide to you all.

Jennifer: Okay, great. Joseph asks when holding some of our NSP 2 acquired properties long-term ourselves, is this considered forming a land bank, or are you referring to something more specific?

John: They are doing what with them?

Hunter: They are holding properties.

John: Well, there needs to be some formal designation, but I mean, if it is the city or a county, it could be the city or county government. A lot of places have real estate functions and public entities own land and remnants of land and things like that. So, it needs to be a non-profit or a governmental entity. If it is a NSP non-profit, then you probably you need to have some sort of additional designation of that. And, I think we are going to have to look at these and see, well, how many of these properties are really going to be able to be occupied before a date that makes sense to close out. And, if that, if you can make it, that will be fine. If you cannot make it, then we might need to be looking at some kind of land bank.

David: It is also important for you to remember what the limitations are on which properties can be land banked. If every property that happens to be vacant may not be eligible for land bank properties. So…

John: Residential properties, for example. Yeah, I think this is going to be a gray area, of how far we can get through this. And, does HUD at some point decide to start setting a deadline for closeouts. But, for the time being there is no deadline, so I would focus on getting those into use in some fashion. But, you got to be realistic about what your chances are there, too.

Jennifer: Okay. The next question I believe relates back to the slide on, slide 23, the program income limits. Karen asks are we to accumulate program income for a year before expending it? How else can we know if we will at a certain level?

Hunter: Well, that is a tricky question. You are going to have to figure that one out. I mean, it is sort of a sticky question, if you will. You need to be careful. You can if you want to, but I would not sit on my program income for a year, because you got to expend it before you can expend anything else. So, you need to sort of try to account for what the year is going to look like and you need to be careful that you do not go over the limit if you have already spend money some other way. Or, you need to structure the way your deals come in so that you can be over the limit this year or—there is no real good answer to this question, I guess.

David: I guess I would say that it is important that you budget what your funds will be used for the year, what you expect to receive from the activities that you are carrying out. It is okay if you underestimate, right. It just means that, well, now that you have triggered one of these thresholds, you are going to have to revise your plan to figure out what you are going to use those funds for. But, there is no exact science to this. You cannot always know exactly what is going to come in the door, what is not. But, budgeting, planning are important factors to keep track of what is happening with your program.

John: Well, yeah, and this may be where a TA provider or we can provide some guidance on this, too. But, I think if you look at your last few years' worth of program income flow, you can tell sort of what ballpark you are in. I mean, if you are always getting between 100 and 150,000 and you are doing the same things. Now, the chances are you are not go over 250, but if you are always in that range, then you probably ought to assume that you are going to have the low income set aside requirement and just plan for that. And, then if you have some slack then you have some slack. But, yeah, it is going to, it will be based on the conditions and so you will have to just track that stuff.

Jennifer: Okay. Bruce asks what is the process to amend our original plan for removing census tracts without activity? Is that considered a substantial amendment requiring full public notifications or a minor amendment?

Hunter: Generally, any amendment requires full public notification. Obviously, this census tract requirement is a NSP 2 requirement in the sense that it has to come here to headquarters for a re-ranking of your application and re-review. So…

John: It does not apply to NSP 1 and 3.

Hunter: Yeah. So, take a look at, we have some notices out there that deal with NSP 2 amendments. Take a look at those and they sort of lay out the process for you.

John: It is a substantial amendment, though, because you are changing the location of your program and that is one of the changes in location, beneficiaries, activities, those are all substantial amendments.

Hunter: The first thing I would do if you think you are going to need to do this is look at the policy alerts. The second thing I would is pick up my phone and call my field office.

John: We do have some new guidance coming out from, particularly addressing the issue of target areas for NSP 2 grants, because of the new data that we have and the fact that everybody can use the mapping tool that we developed for NSP 3. So, it is easier to figure out what is going on, but the numbers have changed a little bit, too. So, you are not working in quite the same universe you were in 2010 when you put these applications together.

Kathy: We actually had a question directly related to that. When they are subtracting census tracts that they did not do NSP activity in, are they using that new tool, the most updated—which tool are they using for the subtraction score?

John: The new tool. It is really out there, so. I mean, the good news, though, is that you can go below the census tract level if you need to and customize the areas a little bit. But, we have got this almost ready to release. I think we had one question left that Jessie needed to look at, and Jennifer Hylton has been writing that, so that should be out in the next week or so.

Jennifer: Okay. Donna asks a question related to property and equipment as well. She is wondering if you could elaborate on what you are looking for in the inventory of any real property and equipment purchase.

Hunter: We will be providing further guidance explaining exactly what we will be looking for. And, I'm just going to sort of punt that question, if you do not mind.

Jennifer: Okay.

John: It is basically a list.

Jennifer: Okay. Ann asks if some recipients have participated in demolition and anticipated sale of properties through side lots, but have not yet completed these sales, what can we do for closeout on these properties?

John: That is a good question. Well, I think we are probably back to finish the project and then we will close the grant out. I do not see any real need to rush through that. I mean, to donate a side lot is not that complicated. I mean, it is not like selling a toxic waste dump or something. So, it should not be that many months of additional time to complete that transaction. And, if you look at our disposition guidance, you will see that it may be possible. I mean the way we are looking at those, if it was a demolition that met a national objective the first time around, meaning that it improved the neighborhood and it is a low, moderate or middle income neighborhood, then we are just going with the national objective for the demolition to account of the same national objective for the disposition of the side lot. So, it might be possible to have, to allow you to meet the objective just in that way. But, we have not really had that specific question. But, I do not think that is going to be a major impediment to your closing out.

Jennifer: Okay. David asks how long will NSP 1 grant recipients have to have fully expended their grant allocation have to expend program income?

John: All of eternity. There is no deadline on the program income. I mean, you could be getting program income ten years from now, I mean, if you are lucky. Not many people will, but there is no—once you close out, program income is the same for most of you as it is, as it was before closeout. You are only reporting on things annually instead of quarterly. Pretty much everything else stays the same. So, that program income in my mind kind of goes in your tool kit along with your CDBG and your HOME and maybe 108 as part of one other tool for you to improve your neighborhoods with. And, if you get some money this year and can do something with it, great, and if you cannot, there is really no, if you got $20,000 and there is kind of nothing you can afford to do for $20,000, you can wait until next year and you get another $30,000 and then there is something you can do. That is all going to be fine.

Jennifer: Okay. We have another question on program incomes from Stella. She asks if a grantee still has program income available for both NSP 1 and 3 and has projects in progress, will the grants be closed out? Can the grants still utilize the program income to complete the project?

Hunter: As long as it is not line of credit funds, it is program income. Or, you could just wait to close out the grant until the projects are done. This is not expenditure deadline, this is a closeout, so you have as long as you want to close the grant out.

John: But, you can close if all the projects that have line of credit funds are completed and occupied, you know, meet a national objective or demolished or whatever. And, the only projects that you have still under construction are all funded 100% with program income, we could close under those conditions.

Hunter: You will eventually have to demonstrate that those projects funded solely with program income have met a national objective, but you do not need to do it for closeout.

Jennifer: Okay. Keeping in the theme of program income, Regina asks on page 64 of the notice, it states any program income received five years or more after grant closeout, as well as program income from funds outlaid after the date of the closeout agreement may be used without restriction. What do you mean by funds outlaid after?

Hunter: Yeah, this is only for NSP 2 non-profit grantees and NSP 3 non-entitlements with a state CDBG grant. And, what we are saying is basically anything you earn after that five years, earned after the five years, not expended after the five years of closeout.

John: There is three tiers of program income, so if you get program income and you are in this small group of about 14 NSP 2 grantees and no more than 30 NSP 3 grantees, and you receive program income prior to closeout, then you have to treat that as if it were the same rules that you have always played by. If you receive it in the first five years after closeout, you only have to have an eligible activity that meets a national objective. If you receive it five years or more from closeout, then you do not have any specific requirements.

Jennifer: Okay. And, also related to this slide, Nicholas asks if I understand slide 22 correctly, if a state has an open CDBG grant, the NSP program income will always be considered NSP program income. Or, at some point will it be converted to CDBG?

Hunter: The state is, falls into the left-hand category. So, they are not an entitlement with an open state CDBG grant. So, the program income will always be program income. I am sorry, NSP program income.

John: At this point, there is no consideration that it will become CDBG funds.

David: So, it must be used for other housing activities related.

John: Yeah, so you can use it, I mean, so think about it. So, you can use it for up to 120% of median income. You can use it for new construction. So, you can use it for land banks or you could actually acquire more property if you are feeling optimistic, although you would have to meet the ten-year, you would still have that same ten-year date. And, if you bought it five years after closeout, you would only have five years left. But, so this is, your NSP program income will be a slightly different and complementary way to put funds into neighborhoods. And, so I think most people look at it that way and go, well, it is probably not going to be a huge source of funds independently, but it is one that we could a little bit different things with than we could do with CBG or home.

Jennifer: Okay. Related, Susan asks if we have less than $25,000 in program income and we can use that money for CDBG activities, how much of this can we use for public services when CDBG grant caps public services at 15%?

John: Well, I think what we are saying here actually is that you add it to any program income that you receive in your CDBG program and so if that is below $25,000 then you could probably, you could use more of it than 15%. But, otherwise, it is not going to become part of your CDBG program. So, I think, I do not know. I do not think this would be a lot of instances of this. But, I do not think that you are going to be rolling in NSP dough to put into your public services, so.

Jennifer: Okay.

John: Let me just say, you still have ongoing reporting responsibilities for NSP for the entire affordability period of all the housing units that you have done. You may have reporting responsibilities for land bank properties for another ten years after you close out. You may have administrative demands for the use of some of these funds. You may want to look not just track the affordability, but go out and actually make sure that people are following the rules. So, I think the smarter play is to use it for administrative costs and to do a good job and not get in trouble there.

Kathy: We have a clarifying question I think on this one regarding NSP 2. Salina asks that she understood that program income could not be used to acquire additional property. Please clarify.

John: That is not true. Program income can be used for any NSP eligible activity, no matter who you are. And, if you are one of the small of NSP 2 or 3 communities that are not subject to the regular rules, you could still use it for that. But, I am not sure where that came from.

Hunter: If you are a sub-recipient, your grantee may have some rule like that. But, we at HUD do not have any rule.

Jennifer: Okay. Another question from Jerry asking for another clarification. If you earned between 25,000 and one dollars, but less than 250,000 in program income, can any of that be used as admin?

John: Yes, 10%.

Jennifer: Okay.

John: That applies to any amount of program income.

Kathy: I have got a few program income questions that have come in via the chat, Jennifer, if you want a short break, I can ask these. So, I think you guys addressed this, but just to make sure, do you have to wait until you know the total will be less than 25,000 and one dollar prior to spending it?

Hunter: You do not have to, but if you do, you may find yourself in a bind.

John: I mean, if you are going to spend it on program activities, then you are safe. If you are really hoping that you can spend $10,000 on a CDBG public service activity, then you probably do have to wait. Because, if you spend it and you go over then you are in trouble, because that is not an eligible use of NSP funds.

Hunter: In other words, just because you can does not mean you always should.

Kathy: And, then in regards to program income after closeout, the limits of $25,000 and $250,000, are those to be followed for the five years, and will be based on program income being generated in a yearly basis or over the course of the five years.

John: Annual.

Kathy: A yearly basis.

John: All right. So, this set of rules on the right-hand side applies to 14 non-profit NSP 2 grantees and you know who you are. And, no more than 30 NSP 3 non-entitlement communities that do not have an open state grant. All right, everybody else, all the other 600 grantees, the other 600 grants that we have are just going to be regular NSP program income. But, if you do fall into this category on the right-hand side, your Chicanos Por La Casa or Habitat for Humanity or somebody that is purely a non-profit, or an NSP 3 non-entitlement, then you play by these rules. And, it is an annual basis, we would be doing it on an annual basis. You would have, by definition you will not be a con plan likely, you will not be doing an entitlement, so you will be doing this and it will be lined up with the annual performance report that you have to submit. And, that should be it.

Kathy: Okay, great. So, we have a program income and DRGR question from Carol. So, should program income recorded in DRGR be net or gross of an activity? So, she gives an example, ABC Street, $90,000 to developer for acquisition and rehab, $60,000 to the home buyer to purchase property, deferred payment over ten years, and $80,000 from developer for development loan payoff. And, is the PI recorded in DRGR as $80,000, the amount received from the developer as the loan payoff, or $20,000, the net between the 80 received and the 60 given to the home buyer?

John: It is the 60,000 or the 80,000. I mean, it, program income is gross revenues. So, just because you have spent different amounts of money on the same house does not mean that, does not affect the money that you get back from that house is the amount that counts as program income. The only real exception to that is with rental properties, in which case you are allowed to deduct operating expenses, utilities, maintenance and that sort of thing prior to considering the revenues to be program income. There is a long program income policy that we wrote a couple of years ago on this if you want to look at that. But, it is a gross and the definition of program income is gross revenues.

Kathy: Okay, great. Lets pause to see if there are some questions on, anybody queued up on the phone lines for questions. Shirelle?

Shirelle: We do have a question from the line of Tamisha Linear.

Tamisha: My question was already answered through someone else's, thank you.

John: Well, we are glad we were able to help. [Laughs]

Shirelle: Next question comes from Bonita Brown. Bonita, your line is open.

Benita: Yes, I was just trying to get a copy of the slides.

Kathy: Yeah, the slides are actually already posted on the One CP website. I am going to, I will send you guys the link, or I will post the link the chat box right now. I will send it to all the participants, and they were posted this morning so you should be able to download them now.

Shirelle: Your next question comes from Debra Johnson.

Debra: Hello.

Hunter: Hello.

Debra: Hi. A quick clarification from the beginning. As a state grantee, you talked about having to submit real property that has been purchased. You are not talking about the state did not do anything on some. We had all developers or sub-recipients, so you are not talking about having to resubmit a list of all of those properties that were purchased.

Hunter: Well, any properties, there are sort of two different things here. The first is, we are talking about this list is talking more about like computers and other administrative things that you may have purchased. And, we are going to get a lot more information out about that soon. The second thing is property, actual property like a home that you purchased.

Debra: The state did not purchase anything, only our sub-grantees or our developers did.

Hunter: Right, but you are still the grantee, so you will need to submit to us this list in the continued affordability.

Debra: So, in DRGR where you have to list every address of everything that has been purchased, you are going to have to do it again in a different place?

Hunter: No, you will actually be able to download all that information.

Debra: There we go, just making sure.

Hunter: Yeah, yeah.

Debra: Okay, just…

Jim: In the performance reports, the address is by responsible organization.

Hunter: And, we are working to get a report that you can download that is going to have each one of the categories in this attachment E on page 80 of the closeout notice, the neighborhood stabilization program management plan for continued affordability. And, that is why we even state in here that you can submit an Excel spreadsheet rather than filling out that form and sending it to us.

John: Now, there is a slight distinction here, though, that we picked up this report that Hunter mentioned. It is really an OMB driven thing that CDBG uses for personal property and some other property. This is not the property that you have been buying and selling in the program. This is stuff that you purchased and you own like a computer or, I mean, I do not think anybody is really buying real estate for their own use. So, they are different universes.

Debra: Just wanted to clarify, and because John Laswick, you are there, would it be possible for after this webinar or tomorrow to have a private conversation about a very tricky situation on a NSP project?

[Laughter]

Debra: I know, I know.

John: Yeah, send me an email and I will see if, I cannot remember what I am, how bad tomorrow is, but, sure, it is john.a.laswick@hud.gov.

Debra: john.a…

John: Yeah, it is .laswick. It would have to be in the afternoon.

Debra: Yep, thank you.

John: Sure.

Shirelle: The next question comes from Sheila Cade.

Hunter: Hello. Sheila, are you there?

Shirelle: Sheila, your line is open.

Sheila: Oh, I am, but you answered it already.

Hunter: Fantastic.

Sheila: Thank you.

Shirelle: Your next question comes from Robin Boller.

Robin: Hello. Good afternoon. Let me repose the program admin question. I am a little confused by it. What I understood you to say is that any admin funds that have not been spend by the March 9th deadline are lost, is that correct?

Hunter: No. No, what we are saying is say you have a two million dollar grant, and again, this is an expenditure question, expenditure deadline question. I just want to clarify so we are not talking about closeout right now. You have a two million dollar grant. To meet the expenditure deadline, you need to demonstrate you have expended two million dollars, and that could be grant funds or program income. So, if you earned another million dollars in program income, 10% of the initial two million is 200,000. So, you have $200,000 of the admin funds. You do not have to spend a dime of admin funds before your expenditure deadline. You could do all activity-related costs, and then after your expenditure deadline, you still have banked $200,000, but you still need to spend that two million dollars by your expenditure deadline.

Robin: Got it. Okay. All right. Thank you.

Hunter: Yeah, I mean it is that two million number that we are looking for.

Robin: Right.

Hunter: And, the admin can sort of slide either way.

Robin: Right. Thank you.

Hunter: No problem.

Shirelle: Your next question comes from Marie Sayers.

Marie: Good afternoon. If I have some properties under contract, will purchase contract, will it, to meet my 25% set aside, will it still be considered as expenditures?

John: No. But, if you are under contract, if you have got a signed sales agreement, that is considered an obligation. You cannot, it is not an expenditure until you sell. I mean, I guess you are obligated.

Marie: I have obligated the funds and I am under contract, but closing, I do not think closing will happen by the deadline. So, if I have like an HUD one or whatever and all of the money has been allocated and the figures all clear, can I still, with the receipt, can I still draw it down, I mean, can I still report it as expenditure?

Hunter: No.

John: You really have to make that expenditure for something like that. But, it will help you that it is under contract. We are going to be, for those grantees that do not make the deadline of spending 100%, we are going to have informal consultations. We had a bunch of these last year and, but we will be more inclined to let you keep going if you have got projects under contract than if you do not have them obligated. But, technically speaking that is not an expenditure.

Marie: Okay. And, then I have another one. We had a property that was already given, well, it was given to us because of tax purposes. We have acquired it. And, we were in the process of demolition, although it is not part of our activity, if we would to consider demolition and redevelopment, will it still be counted toward expenditure?

John: Well, yeah, I am not sure. So, somebody gave it to you and you kind of consider it to be part of your NSP program, even though you did not pay anything for the property. But, you are going to demolish it. So, it could just be, it could be that the demolition would count if it is a property that is qualified to be an NSP property, you know, is foreclosed or vacant or whatever. Or, in the case of demolished, it is blighted, it has to be blighted.

Marie: Yes.

John: But, whether it is, so I think you probably could consider the demolition to be part of that if it is completed by the time of the deadline. If you are trying to link it into a redevelopment project and put a new property on there, I do not think you are going to be able to stretch the expenditure that far.

Marie: Okay, okay, okay, okay. So, therefore, to be clear, you can just cut me some slack if I were to, I mean on the contract purchase, but not here, I mean, expended it, but you may consider that I have, well, somewhat meet my deadline. But, that does not mean that I have met it.

John: That is correct. So, what happens is that we say that the process that we go through is that we make a finding. And, we say we are making this finding that you did not meet your expenditure requirement and then we have a series of corrective and remedial actions open to us that you can read for yourself in Section 57911 of the CBG regs, and those range from warnings to repayment of funds. And, we have flexibility within that range of activities based on the other things that you have done in your program and so forth. So, it is very much of an individualized determination about whether we will make you repay funds or stop using funds or whatever. So far, last year, we did not make anybody that had funds under contract give them back. So, I think that is a good sign. I mean, we do not have to do it that way, but, and if you are, as long as the rest of your program is in pretty good shape, you probably have a pretty good possibility of surviving that. But, I cannot tell you that for sure.

Marie: Yeah, because I am in an individual basis. But, another question again, I do not want to, because I never had a chance to flow, I mean to be part of other conversations. Let us say I pull out both my LMMI and my 25% set aside and I make my building like a mix-occupancy between LMMI and the 25% set aside. If I can show expenditures occurred, can they still be covered, I mean, to meet my expenditures, to meet my national objective?

Jim: You should have two separate activities set up in DRGR. One for the LS 25 units and one for the LMMI units, because say you get credit for at least 25 is by national objective expenditure.

John: I think I understand what you are saying and I mean, I think the general advice would be not to go to that kind of an extent to meet an expenditure deadline. I mean, we would rather see you slightly falling short doing the right thing than going through a lot of gyrations and sort of redefinitions to make the deadline on a sort of artificial basis.

Marie: Okay. So, once I purchase the property, they own the purchase, let us say thank God you all did not request for me to reimburse the money. I can use program income in the long run just to spend that money to rehab those properties, right.

John: Yes.

Marie: Okay. Thank you very much.

Hunter: Thank you.

Shirelle: And, there are no further questions from the phone lines. Okay.

Jennifer: We still have a list of questions on the Q&A, and Kathy, do you have more on the chat? Do you want to keep going?

Kathy: Sure, since we just had a question for Jim, I have got a couple of DRGR questions for Jim and Chris here. So, a question from Robert, he says in our action plan recently changed an activity from rehab/reconstruction to new construction, but the completion data is still rehab oriented, and it continues to ask for those numbers, ask for numbers of units that have been replaced, not constructed or installed. Shouldn't those have changed?

Jim: Only if you go back and change the activity type in the action plan. That is going to be an amendment to the action plan.

Kathy: Right. And, he says they changed their activity category, which that might mean activity type. This might be a good question to submit on Ask a Question with some screenshots. What do you think, Jim?

Jim: Yes, also be aware that changing activity type is going to become a lot easier effective March 8th. There is an update of DRGR running the night of March 7th. One of the things in there is to be able to change the activity type and basically will set up a warning box saying you are going to lose the data that is in there, is that okay. That would solve the problem in this case.

Kathy: That will probably be helpful to a lot of folks. Robert's second question is in the completion data there is a line that asks for number of multi-family units, and they have five condos which would house ten families. But, he cannot put in five, because it has to match the number of housing units. So, what should he do in this case?

John: How do 5 units house ten families? Something is not adding up here.

Kathy: Yeah.

Jim: If they are five duplexes, each duplex is under, we use the FHA definition of single-family versus multi-family, which is one to four units, if the building is constructed with one to four units, it is considered single family, even though some of them will house more families. Beyond five and up is considered a multi-family property.

Kathy: So, it could be that there are five duplexes.

Jim: Then they are technically…

Kathy: And, there would be ten units.

Jim: Right.

Kathy: Okay. So, Robert, again, if you have any further questions on that or we did not understand, feel free to press *1 to ask your question verbally or go ahead and—I posted a link in the chat to, I posted three links. One to ask a question if you have specific, a really specific question about an activity, feel free to use that. I also posted a link to how to request technical assistance, because somebody asked that a little bit earlier. And, then I posted a link to the slides today.

The last DRGR question that I had is from Shawn, and he asks since income under 25,000 is not considered program income, how should we account, track and report for it in DRGR or IDIS?

Hunter: Well, that is a question that we need to think about and we will get back to you on. If it is going to be in the annual report, it will not be in the QPR. Actually, no, it will be, because it is after closeout, it would be in the annual report and not in the QPR and we will get back to you on that.

John: I think the answer is that the 25,000 is a limit to do what you can do with it, but it is still, it is all really program income.

Hunter: Program income, yes. But, that is a great question that we will get an answer to you back later in one of our other presentations.

Kathy: Okay. We have several questions, I got some more questions about expenditures. And, two people asked do you see a, does HUD foresee a future date that would require 100% expenditure in the line of credit?

Hunter: Just to close out, not a deadline.

Kathy: Okay. And, does only the line of credit funds that do not meet the expenditure deadline have to be returned? For example, if 50,000 is not met, will only that amount have to be returned to HUD?

John: Essentially, yeah, I mean this is an expenditure deadline question and as I said, we look at these on an individual basis.

Kathy: Okay. And, then this person refers to grant deadline, which I assume means grant closeout. Is the requirement of grant deadline one that expenditures are equal, are equal to or exceeding the grant amount? And, two, they meet the set aside requirement based on funds expended.

Hunter: I think we are talking about the expenditure deadline here, and that is, yeah, that is any combination of line of credit or program income funds. So, if you have a two million dollar grant, you could spend a million out of line of credit funds and a million out of program income.

John: As far as the completion of the units, though, that can and almost always will follow the expenditures by a number of months. So, that is not related to, I mean, we are not holding anybody to completion in the sense of occupancy. We are just looking at expenditure of the funds. So, you can buy the house and rehab the house, but if you have not sold it and had the family move in yet, that is okay.

Kathy: Great. I think that is all the questions I had on the chat, and I will go back and look through those again. But, Jennifer, are there more in the Q&A?

Jennifer: Yes, there are more. Donna asks a question about land banks. She says as a state grantee we are requiring land bank plans from sub-grantees. Will the state submit all the land bank plans received with the closeout submission?

Hunter: It is probably going to need, I think the best way to do this would be to submit a sort of overarching plan and then include all the other plans that you may receive from your various land banks. So, sort of a how you are going to, how are you going to track your sub-recipients, etc., etc. And, then you can have city A's land bank plan and city B's land bank plan.

David: But, you will also have all units, either in a land bank or not, listed in your real estate inventory report.

Hunter: In the land bank plan.

David: No, not a land bank plan. She just…

John: We are going to be working on this some more, but, we are trying to stay flexible. We realize that there are a number of states where sub-recipients that land banks and we are not trying to force the sub-recipient land banks into sort of a meaningless box or the state the other way. So, we will be providing additional guidance on land banks.

Jennifer: Okay. This is an expenditure question as well. Michael asks due to the weather, our organization will not have 100% of our initial award expended until August, 2014. We are supposed to be 100% expended by March 10, 2014. We are communicating this with our project officer. How will this affect our organization?

John: Well, you could lose money. I mean, I do not know what to tell you. You have had three years to spend the funds. It is a congressional requirement. By the legislation, we cannot waive it. So, what we do is we make a finding and then we look at the circumstances and we decide what the most appropriate corrective action is. Our first course is to stop the problem from occurring, the second is to keep it from recurring, and we have a number of sort of tools available all the way from warnings to refunds of the money. So, when you say you are talking to your person, I hope that means your field office rep, your CD rep or somebody in your field office, so they can understand what is going on there. If you can have that money, if you can have those projects under contract, well, that will probably help. But, I cannot, there is no single answer that I can give you on this, it really is going to depend on the circumstances and we will see what happens.

Jennifer: This is also an expenditure question, but related to DRGR. We worked feverishly this quarter to meet the expenditure deadline and have vouchered just beyond that last week. But, financial report 07B seems to lag behind reporting that number. What do we need to fix to have that report reflect that we have met the expense deadline?

Jim: The NSP staff is not using that report. What they are using a QPR. So, expenditures is self-reported number, put it in your QPR and save it, do not submit it.

John: Yeah, it is not a DRGR number.

Jennifer: Okay. Bruce asks a question about program income after closeout. For non-profits using income after closeout, which is restricted to NSP eligible activities, can those activities be located in any census tract or only census tracts included in the NSP application?

John: So, we anticipate that the census, or that the target areas will no longer apply after closeout.

Hunter: Right. You are just going to need to keep track of, obviously, where you are working. This is for program income earned after closeout.

Jennifer: Yeah. Okay. Annette has also a program income question. She says if we expended 40% of all of our funds, that is line of credit and current program income on meeting the 25% set aside requirement, does the extra dollars committed to the 25% count toward future program income requirements to be used for those 25% activities as long as it meets the 25% for all activities?

John: Yes, it does. I do not know, I mean, I think, well, I am not sure how a closeout would affect that, but at least up until closeout, yes. That money is kind of fungible. I mean, you have to use 25% of the total of grant and program income and so if you go over on the grant and under on the program income, and you still come out 25% of the total, then you are okay.

Jennifer: Okay. Donna asks will it be possible to align the time of the closeout with the CDBG program year for purposes of planning program income expenditures?

John: Yes, I mean, you want to change the timing of the closeout. We are just going to sort of lock you into the program year whenever that starts.

Hunter: So, your first year may only be a few months.

Jim: I think they are asking though can they delay closeout until it would align.

Hunter: Well, yeah, that is true. If they want to delay it, sure they can. But, you could also close out under the understanding that you only have three months in the first "year."

John: But, yeah, you can line yourself up as close to that as possible.

Jennifer: William asks where was the requirement that each and every census tract in a target area had to have some NSP 2 activity. I cannot find it in the notes or anywhere else.

Hunter: It is a competitive program, so your application stated where you were going to work. Therefore, you have to work in those areas.

Jennifer: Okay. Then we have got a bunch of…

Hunter: That is how you were rated, based on where you told us you were going to work. So, if you do not work in those areas, then you are not doing what you told us you were going to do and then we have a problem.

Jennifer: Okay. Bill asks in NSP 3, once we have reported the final expenditure amounts in the QPR, how long do we have to submit the final draw, or is that accomplished during closeout?

Hunter: Well, you are going to need to make that final draw before you close out, because we are going to recapture anything that is in that, draw from the line of credit before you close out, because those funds are going to be recaptured by us when you sign the closeout agreement if there is anything left in the account. So, you need to do it before the closeout agreement is signed.

John: If it is program income and you have got it in your local account, then there is, I mean, you can carry that over.

Jennifer: Jane wanted a clarification on the 25% set aside discussion we just had. If set aside spending before closeout is in excess of 25%, can the amount over the 25% requirement apply to the post-closeout program income set aside requirement?

John: You are getting sneaky on us already.

David: Well, you add the whole thing together.

John: I just do not know. I am not sure really, because I sort of see the period up to closeout, but then once you get past closeout you are in sort of a different set of rules possibly.

Hunter: It would apply to the program income that is required for those three years, the program income on hand. So, that is definitely yes.

John: Earned prior to closeout.

Hunter: Right, earned prior to closeout. But, I think we need to look into that one and get back to you.

Jennifer: Okay.

John: So, in other words, so let me just ask if she can clarify for us that she is asking about whether in effect, let us say they had 30% as they approach closeout, can they bank some of that for after closeout, is that the question? I mean, that is sort of the way I am looking at that, so.

Jennifer: I believe that is the question, yes.

John: All right. We will get back.

Hunter: Feel free to submit that question through our Ask a Question box and we will get you an answer. I would also assume that would be a question you will be seeing in our Frequently Asked Questions for closeout that will be coming out in some point in the future, because that is a good one.

Jennifer: Okay, we have another expenditure question. This is from Valerie. She asks does the acquisition closing have to occur prior to recording the expense in the QPR if we have paid the developer for the acquisition, can I count the expense even if closing is not scheduled to occur until next week?

John: I do not think so, because, well, I mean, who is your deal with? If your deal is with your developer and they have to produce regardless, maybe you might be able to sort of push that. But, I mean, that to me just sounds like you are sort of moving up an expenditure, but it is not really an expenditure, that the obligation to purchase is not until the closing date. Most of those closings have conditions that have to be satisfied. So, they are not really, they are not expenditures, they are still just commitments. So, once again, I think the smarter way to go here is to do the right thing rather than the expedient thing, and even if the right thing makes you come in a little bit after the deadline, but you have got everything lined up and it all falls into place, you will be okay. But, if you start going to these tortured lengths to call things expenditures, it just invites problems, I think.

Jennifer: Okay. Bill asks is NSP 1 program income received five years after closeout considered miscellaneous revenue?

Hunter: No. This only applies to NSP 2 non-profits and NSP 3 non-entitlements without an open state CDBG grant. So, they are not an entitlement CDBG grantee and do not have a grant from the state for CDBG. That is it. You can only, it can only be NSP 2 or 3 that we are talking about.

John: And, only a small portion of them.

Hunter: Right.

Jennifer: I believe this is a question we have had before, but Aaron asks does HUD foresee a future date that would require 100% expenditure of the line of credit. Our life to date program income has not allowed us to draw down line of credit funds in about eight months.

John: Well, that is a problem some people would like to have.

[Laughter]

John: But, we understand the problem and there is no deadline, so take your time, take a deep breath. We are not going to be forcing you to close. Now, at some point you will catch up. If necessary we can give you some technical assistance or talk to you and figure out if there is a way. I mean, if you can never get those expenditures, then obviously we do not want to string this out forever, but there is no immediate deadlines. Well, for withdrawing the funds, so, but Hunter is saying, well, you know, I mean, what do we mean by NSP 2 deadline. Well, there are NSP 2 grantees that still have funds in their line of credit, because they have got a lot of program income, so that is how we get there. But, just relax, enjoy the fact that your market is strong enough to be giving you program income and get the most impact out of your program as you can. Sit down with your rep or call in for some TA, write in for some TA and see if there is maybe some adjustments that could be made to your flow of funds or the way you purchase property or whatever. But, we take that as a good sign that you are getting that kind of program income and doing the right thing with it.

Jennifer: Okay. There are a couple of questions about expenditures that, expenses that happen beyond the expenditure deadline. So, Ann asks several of our housing rehab projects are not yet complete as a result of the weather. Will there be any room to bill expenses beyond our expenditure deadline, and then Debra asks the state, who is the awardee and administering the program has to expend, does the state, who is the awardee and administering the program have to expend all admin dollars by October 1, a.m. on the deadline day? What about work continuing after the expenditure deadline?

John: So, well on the first one, we will be looking at the circumstances of your predicament if you did not make the expenditure deadline. And, if your circumstances are that you had projects under contract, under construction, the weather delayed those, and everything else is otherwise well-operated and so forth, then you have a good chance of being allowed to have some more time to finish those projects. If on the other hand, the weather prevented you from even buying the properties in the first place two years ago and you did not get them under contract and you did not have constructions contracts and you do not have expenditures, then you are going to have a harder time holding onto your grant funds. So, that is, those are the parameters, I think.

Hunter: For that second question about admin expenses, we sort of talked about that earlier. It is the if you have a two million dollar grant, you need to spend two million dollars of program income or line of credit funds before your expenditure deadline. If you are getting program income, you can sort of bank some of that admin for later, but we still need to see on the day of expenditure, at the end of your expenditure deadline a two million dollar worth of expenditures. And, if you do not have any program income, then we need to, you cannot save those funds.

John: And, maybe another way to put it is that you have to spend the total of your budget, but you do not have to spend it by the exact budget items. So, if you have got budget capacity in your admin line and you have spent program income on another acquisition rehab instead, then you can carry that capacity forward as long as you have the program income to use it, I guess.

Jennifer: Okay.

Kathy: Jennifer, let us see if anybody is on the phone to ask a question.

Jennifer: Sure.

Shirelle: We have a call from the line of Marie Evans.

Marie: I think that question was answered. That was regarding the 25% set aside. If it is on the, if they are under contract, so therefore I cannot close out that activity. I can just close out the LMMI if I met my expenditure deadline.

Hunter: I think we are confusing closeout and expenditure deadline here. The expenditure deadline is just expending the funds. Close out is you have completed the project and met a national objective.

Marie: For the, okay, the closeout I feel that we have met the national objective for the LMMI, not for the 25% set aside. So I cannot close out altogether.

Hunter: No, because you still meet the national objective for the 25% set aside.

Marie: Okay, sir. Thank you.

Hunter: No problem.

Shirelle: And, there are no further questions from a phone.

Jennifer: Okay. I think we have a few remaining Q&As here and we may be able to fit them in even before four. Lorraine asks if a grantee has not used all funds for project delivery, can they be transferred to cover admin costs through closeout.

Hunter: As long as you do not go over, you exceed that 10% admin cap for grant funds and program income, that is fine. But, I mean, you still have to stay under that 10% admin cap for grant funds and program income.

John: Yeah, and as long as you have met your expenditure requirement.

Hunter: Yeah.

Jennifer: Okay. Stella has a hypothetical for us. She says the grantee received one million dollars and has expended 700,000 of the line of credit. Then, the grantee received 250,000 in program income and has been expending the PI as required. Will the remaining $300,000 from the original line of credit still be available?

John: Well, if you get to your million dollar expenditure requirement then yes. If you do not, then some of it could be at risk. But, you can meet your expenditure with any combination of grant funds and program income. So, you have described a situation where you might be able spend 950,000 as I understand it. So, you still are not at your expenditure requirement. To get to your expenditure requirement, you will be able to spend the program income that you have on hand, you will have an indefinite amount to do that. If you do not meet your expenditure requirement then you may lost some of the money, possibly 50,000, yeah.

Jennifer: Okay. The remaining questions I believe we have answered before, but let me ask them just so that folks are clear. Sandra asks when does HUD anticipate establishing a deadline date by which all NSP 1 funds must be drawn from the line of credit.

Hunter: There is not one.

Jennifer: Okay.

Hunter: You will only have to, the only deadline is that you cannot do that before you close out. You know, we are going to close out your line of credit, and so if there is still a million dollars you are not going to want to close out. There is $350 in it, you are probably willing to let us take that back. But, there is no clock on this.

Jennifer: Okay. Martha asks the old expenditure deadline was in September. Are we allowed to expend funds in DRGR at this point before close out?

Hunter: I do not know if we understand your question.

Jennifer: Yeah, I think it is a little unclear, but I think she may be ask, saying that her expenditure deadline has past, perhaps, and she is wondering if she can still expend funds.

John: For NSP 3 or NSP 1?

Jennifer: She does not say.

Hunter: Sounds like if she has an expenditure line in September, it is likely that they are…

John: An extended NSP 1 or 2…

Hunter: Or, even a sub-recipient with an expenditure deadline. If you are sub, you got to talk to your grantee, or the lead grantee if. But, in general, as long as you past your expenditure and met it, you then can continue to spend funds. We are not stopping people who have met their expenditure deadline.

Jennifer: Okay. And, Iris asks for NSP 3 expenditures, if the state has not used all administrative dollars, will those dollars be recaptured as of the deadline. And, she says this may be a repeat question.

Hunter: If you have not met 100% expenditure deadline requirement, then yes those funds could be recaptured.

Jennifer: Great. And, I believe that covers all of the questions we have in the queue that we have not addressed.

John: We have got a minute left here, come on folks.

[Laughter]

John: No, that is good. Well, we are glad to hear all these questions. This lets us know where everybody is, sort of thinking about this. And, these are good questions that we have. And, so we appreciate that. We will be allowing you to focus your efforts on expenditures through the month of March. If you have already passed that limit, take a look at the guidelines and the notice on things that you can start getting ready. I would say start with your QPR. We have stopped envisioning the perfect QPR perhaps, but we…

Hunter: It is as close as perfect as possible.

John: Right. Well, let us just put a tail on out there so, I am sure we could get a cupcake to whoever gives us the first perfect QPR.

Jim: This is Jim. One thing, before you approach your field office and tell them you are ready to close, go back and look through your QPRs and your action plan, and look carefully at the affordability period for each appropriate activity. I was looking at one grantee today for another purpose and their activity period, their affordability period was for one day.

John: All right. Well, that is a problem.

Hunter: Side note, I just want to say that next Thursday, we will be having a Q&A about just an open forum Q&A, try and focus on expenditures. So.

John: And, you know what we are going to be telling them? We are going to be saying that expenditures include line of credit funds and program income in any combination. So, meet those deadlines, folks. Thanks for calling in.

Hunter: No additional questions on the line or written in as we were…

John: It is 4:01 now, I am going home.

[Laughter]

Jennifer: There was one here that I think I may have skipped. This is on slide 12. I just want to make sure this is not something we already covered. I think we may have, but if you go back there.

Hunter: We would be happy to answer it again.

Jennifer: It says on slide 12, could you please cover the property list requirements again, and I believe, yeah, this relates probably to the guidance that is forthcoming.

Hunter: This is, again, we are talking about equipment and John is looking up in the regs to see if we can get you a better definition. But, we talking about things like computers or desks, or other equipment.

John: Well, it could be real property, thought. I think that is the one that is throwing them is the real property.

Hunter: Yeah. But, that is more if you buy an office, which is for the NSP program.

John: Most people are not buying real property except to sell it in the program. So, I think, yeah, for the most part, we are expecting that to be a simple list of equipment that you purchased because there is a certain minimum amount of time that you are supposed to use that equipment and that sort of thing. So, that is just something that OMB requires of everybody. So we will have to provide some additional clarification on that for you just so that you do not get frustrated.

Hunter: Yeah, I think we are hoping to, we are looking around to try to find some examples and we will definitely get you some more guidance on that. We will talk about this more in April. Is there anything else?

Jennifer: Everything we have in the Q&A.

Kathy: Are there any, is anybody else on the queue, Shirelle?

Shirelle: And, there are no further questions from the phone line.

Kathy: Great. And, just if you do have any additional questions, you will be taken immediately to a survey. Please let us know, give us your feedback about this session today, and if you additional topics and you want to mention them in that survey so we can take a look at those when developing, for developing the material for April as well.

John: Yeah, but Kathy, do not let people, if you have a program question, do not put it in the survey. We want you to fill out the survey, but if you have a program question, write it into One CPD. We are going to be reviewing 100% of those and so you will get the best answer possible. But, if it goes into the survey, we do not see that for a number of weeks afterward, so we cannot really answer those questions.

Kathy: Right. Just thoughts on topics for the April webinars, that can go in there. And, I will pull those out as soon as possible. And, again, I posted the links for how to ask a question in the chat tool. It is also on the last slide, or one of the last slides, slide 27. Any closing thoughts?

Hunter: Just focus on those expenditure deadlines. We will be around to close out grants. We have got a ways to go. Thank you all very much and good luck.

Kathy: Thank you. Have a great afternoon.

Shirelle: This does conclude today’s conference call. You may now disconnect.

[End of audio]