NSP Q&A Session
Thursday, January 29th, 2015
2:00-4:00pm EST

George Martin: Good afternoon, my name is George Martin. I work for TDA, we are one of HUD's national technical assistance providers. I'm going to turn the call over in just a minute but I'm going to run through some technical instructions for today's webinar. I want to remind you to remove distractions, please turn off phones and close email and other programs. If you have technical problems you can call my colleague Vicky Grim, her number is on the screen. Alternatively, there is a chat function on the right hand side of your screen. There is a panel that says chat. If you have any questions, you can enter them in there, select host, and send your questions to the host. I am the host and I will be able to answer that question for you. As Stephanie told us, everybody has been muted. We are here to answer your questions today, so you will be able to ask questions in two ways: verbally on the conference call, or using the Q&A tool in the WebEx webinar software. During the webinar to ask questions verbally, you need to enter the question queue. To do that, on your telephone keypad you just want to press star one when you know you have a question. At that time, you will be placed in the queue. When we ask for verbal questions, Stephanie, our operator, will get your name. She will introduce you, and you will be placed on the line with everyone to be able to ask your question. If you are waiting and you hear someone answer the question that you wanted to ask, simply press star two on your telephone keypad. You will be removed from the question queue.

You can also ask written questions. There is a panel on the right hand side of your screen that says Q&A. If you look at the image on the screen here, it shows you that you can enter your question into the field. Then when it asks you who you would like to ask the question to, you want to select all panelists. Then you can send the question. Even though you are submitting a written question, it will be answered verbally. Just keep that in mind.

With that being said, I am going to turn it over to my colleague, Jennifer Alpha.

Jennifer Alpha: Thank you, George. Hello everyone, and another welcome to today's NSP Q&A webinar. As George mentioned, my name is Jennifer Alpha with TDA. I will be assisting with moderating today's session. This is an open forum with HUD staff that will include helpful information on NSP hot topics, including a very exciting announcement for NSP 2 grantees. Most of the session will be reserved for the open forum where all NSP grantees may ask questions and solve NSP problems, their discussion with HUD headquarter staff, as well as your peers. As an NSP grantee or affiliate, we invite you to ask your questions about NSP rules, regulations, or any other

current issues that you may have on your mind. George went through those instructions on how you can participate, but we will do a recap of those when we get to the Q&A section of the presentation today.

It is just a reminder to everybody that this session will be recorded, and an archive will be created on the HUD Resource Exchange website for your reference. The archive will include the audiovisual recording, a PDF of the presentation slide, and a written transcript of the presentation as well. Joining us today from HUD headquarters, we have Paul Patterson, Njeri Santana, Hunter Kurtz, and Larry Reyes. Hello everybody there at HUD.

Hunter Kurtz: Hello. We also have a special guest with us today – Mr. John Laswick.

John Laswick: Yes, a troublemaker.

Jennifer Alpha: Hi, John.

John Laswick: Hey.

Jennifer Alpha: With that, I will turn it over to Hunter to get started on the hot topic.

Hunter Kurtz: Alright, that is great. We actually have two announcements. Paul mentioned to me earlier that we have a very exciting announcement concerning some history of today.

Paul Patterson: Oh yes, it is very important. Of course in 1961 on this day, the State of Kansas was received as the 34th state of the union. For all you Kansas people out there, go celebrate.

Hunter Reyes: The other piece of actually even more important news is after some wrangling with our general council office, we have been able to get a waiver for NSP2 grantees. I guess there are 42 of them.

John Laswick: Yes.

Hunter Kurtz: There are 42 NSP2 grantees that had a substantial amount of funds left in their line of credit. This waiver will allow them to draw line of credit funds before program income funds. I want to point out that again it is for only these 42 grantees with a substantial amount of funds in their line of credit. It is not for NSP1 or 3 grantees, or NSP1 and 3 grants that an NSP2 grantee might have. It is only for these 42 grantees. But this will allow them to draw the line of credit before the programming comes before the September 30 deadline, which would have swept all funds left in lines of credit. We are excited about this announcement. Probably in the beginning of next week we are going to get out a ListServ announcement with the waiver as well as directions for how to move your funds around in DRGR. It will allow you to draw these funds. We will be

happy to answer any questions, but there is a lot more information that is going to be coming out shortly on this in the next couple of days. That is our big hot topic.

Jennifer Alpha: That is a big one.

Hunter Kurtz: Yes.

Jennifer Alpha: Are there any other hot topics for today?

Hunter Kurtz: I do not think so. I am looking around the room, no.

Jennifer Alpha: No?

Hunter Kurtz: I guess I have some other random facts if we need to. As soon as it gets quiet we can do that.

Jennifer Alpha: Okay, well we will reserve that. At this point, we would like to open it up to questions to all those who are on the line. As a reminder to ask questions by phone, you want to press star one on your telephone keypad. You will be added to the queue. If your question is answered before your turn in the queue, press star two to be removed from the queue. You may also ask questions in writing by using the Q&A tool in WebEx in the lower right hand side of your screen. Please ask your question to all panelists so that we are sure everybody sees them and we can answer them most efficiently.

As of right now, we do not have any questions that have come in by writing. Oh, I am sorry. I have one here. This question is from Carol Pierce. She asks, based on NSP policy alert guidance on land-based disposition – this is the 11/25/14 alert. If a property does not meet a national objective for either acquisition or disposition and the funds are repaid from a nonfederal source, how is the repayment handled? She ran out of space. She is asking how the repayment is handled. I am not sure she has more than that to her question.

Hunter Kurtz: No, it would be program income or return of grant funds.

John Laswick: But it goes back into the local account, not to a line of credit. It just is reimbursed to the local NSP fund account.

Jennifer Alpha: Okay, that is great. We have a question from Kristen Cooper. She asks has there been any more discussion about moving NSP 1 and 3 balances over to CDBG.

Hunter Kurtz: No, there is not. At this point, first of all are balances. We are never going to move the line of credit over to CDBG. I know there have been some sorts of rumors

that maybe eventually will move program income over to CDBG funds or turn it into CDBG funds. At this point, there is no plan to do that.

Jennifer Alpha: Okay.

Hunter Kurtz: Notice I never said never though. I just said there is no plan. That is as of right now.

Jennifer Alpha: Okay, we have a question from Peter Shaw. If we have only about $50,000 left in NSP3, how can we utilize those funds? The amount is not enough to do any housing projects.

Njeri Santana: There is really a project that it can have a multi-funded project. One possible scenario would be if there are other multi-funded projects that fit within the NSP. If the NSP2 money can fit within, then maybe that is a possibility.

John Laswick: Match it up with HOME or something like that.

Hunter Kurtz: Yeah, you can build a roof on a house. You are not going to be able to build a house type of thing. The other option is quite honestly, you just do not know if you are ever going to be able to spend it. You can close out and those funds will be recaptured. I would look at, as Njeri said, other funding sources to try to match it up.

Larry Reyes: Or admin costs that have either already taken place or will take place in the near future.

Hunter Kurtz: That is true too if you are not at your admin max.

Jennifer Alpha: Okay, that is great.

Hunter Kurtz: There are a lot of people out there that would like an extra $50,000 to do admin work.

Jennifer Alpha: Okay, we have a question from Tijuana Dorne. She asked when is the closeout date for NSP3. Are there any exceptions or extensions?

Hunter Kurtz: There is no closeout date for NSP3. You can close out whenever you are ready. We are trying to help you close out as soon as possible because there is always that light at the end of the tunnel where you only have to do an annual performance report rather than a quarterly performance report. That is a huge advantage. For most grantees, there is no difference between today and tomorrow in the world of closeout. Just keep working. When you are ready, you can close out and work with your field office.

John Laswick: That is maybe another answer to the previous question. If you expect more program income, you can wait until it is get enough to add to your $50,000 to do a project. There is no deadline. That is really the distinction that we had to make with this and we ran into with the NSP2 money. The waiver we talked about is because that is Recovery Act money. It ends this September. NSP1 and NSP3 can retain the funds in their lines of credit indefinitely. There is nobody that is going to come and take them away from you. We wanted to reduce the amount of money that might have to be given back for NSP2. But that whole process does not affect NSP1 or 3.

Jennifer Alpha: Thank you. It looks like that is our last question so far in terms of written questions. Stephanie, do we have anyone on the line?

Stephanie: We do not have any phone questions as of yet.

Jennifer Alpha: Okay.

Hunter Kurtz: Today in 1936, US Baseball Hall of Fame elected its first members in Cooperstown, New York.

Jennifer Alpha: Oh, and who were they?

Hunter Kurtz: We will save that until our next call.

Jennifer Alpha: It is almost like trivia too.

Hunter Kurtz: There is. That is exactly it.

Jennifer Alpha: Alright, we have another one here. We have Bill Gearing. He asks is an amendment to the action plan required when adding program income.

John Laswick: It is not if you do not have a new activity. This is in DRGR I think he is referring to.

Jennifer Alpha: Yeah, I think he might be asking if you increase your program income in the action plan you change your estimated program income amount. That would require HUD approval of directions by DRGR.

Hunter Kurtz: That is different than an amendment to either your action plan or your amendment, yeah.

Jennifer Alpha: Yeah, it does require a DRGR action.

Njeri Santana: It is of the field office.

Jennifer Alpha: I would not think of it as a formal action plan amendment.

Hunter Kurtz: Right, exactly. Thank you, Jennifer for answering that one for us.

Jennifer Alpha: Sure, it is no problem. Bill, if that is still confusing feel free to write back in. We will try to clarify it further. Here is another question from Peter. He asks, referring to my earlier question almost $47,000 is in program income. If we close out that grant now, do we still have to return those funds if we do not have NSP2 programs?

Hunter Kurtz: No, any program income funds you have on hand at the time of closeout will just remain like they are program income funds today. The same rules apply to them that there are before closeout. There are some changes in the way program income is handled. They are very minor. But those rules only apply to when you earn the program and not when you spend it. If you have $47,000 of that $50,000 on hand, you will retain that $47,000 at closeout. That extra $3,000 it sounds like is in your line of credit. That will be swept by the department when you close out your grant.

Jennifer Alpha: This is unless you can find something to do with it before then, right.

Hunter Kurtz: That is right. You would have to spend that $47,000 to get down to that $3,000.

Jennifer Alpha: Right, that is the tricky part.

Hunter Kurtz: Exactly.

Jennifer Alpha: If you feel like you are ready and you do not mind having that $3,000 swept, you could close immediately. Otherwise you will have to spend the $47,000 in order to spend $3,000 and just hold out a little longer. We have a question from Joe Holter. Getting back to land banks, if you met a national objective when you acquired a lot you had invested less than $25,000. You can sell or give the property to people over 120% income limit. That is a question. Can you?

John Laswick: Can you just repeat the first sentence at the beginning of that?

Jennifer Alpha: Sure, this is about land banks. If you met a national objective when you acquired a lot and you have invested less than $25,000, can you sell or give the property to people over 120% income limit?

John Laswick: Yes, that should be covered in the earlier disposition and demolition policy alert we put out about two years ago. It was March of 2013 I think. Yeah, if you meet a national objective, properties that are worth less than that are considered to be that you could just dispose of them in any way that you want. I mean in a lot of neighborhoods, you would like to get people that are above 80 or even 120% of median to give yourself kind of a good economic balance.

Hunter Kurtz: It is a good time to plug that we will be having a webinar on March 19th about disposing of difficult properties. A lot of that will talk about properties in land banks.

Jennifer Alpha: That is very timely, okay. We have a question from Lois Coleson. She said did you release a written announcement yet about the NSP2 line of credit draw allowance before program income.

Hunter Kurtz: We literally got the waiver signed maybe an hour ago or two hours ago. We have not announced it officially via a ListServ announcement. We hope that they will have something out probably Monday at the latest officially announcing that. It is technically taking place right now. It is now valid, I guess. But you need to know how to work your way through DRGR. We are just making a couple tweaks to our instructions on that and we will get it out shortly.

John Laswick: We sent it out. We sent out the instructions on DRGR to a couple of grantees to make sure they made sense rather than unleashing them on everyone if they were not ready. We are very close to being complete on that.

Jennifer Alpha: Okay, that is great. Leslie Lieger asks can recipients enter into development agreements with developers using program income as the funding source. Also, when these homes are sold is it right that no additional program income will be generated?

Hunter Kurtz: Yes, you can enter into an agreement with developers. The program income acts just like line of credit funds. There is no real difference in how you treat the funds and how you go forward with the program. The developers are allowed to retain program income. But a lot of folks have set up the developer agreements so that the developer has to return the program income. There is no requirement that they keep it. You are just allowed to allow them to keep it as their developer fee if you want.

Njeri Santana: Also, some people have some of the income come back just for administrative purposes. This is just to make sure that they can watch over the program or watch over the developer as the property is being done.

Hunter Kurtz: Yeah, there is no hard and fast rule there. But they are allowed to retain it. They are just not required to retain it.

Jennifer Alpha: Okay, that is great. We have a few more written questions here. But before we go onto those, I just thought I would check in with Stephanie and see if there is anybody on the line.

Stephanie: Yes ma'am, we do have a phone question at this time from the line of Jose Durado.

Jose Durado: Can you hear me?

Hunter Kurtz: Hello.

John Laswick: Hey, how are you?

Jose Durado: I had a question. We have funds in our line for admin. We have funds available from program income to spend, but we have not been drawing down from our line for admin. It is coming out of program income. As you want to prepare to close out, you do not want to return those funds for funds to get swept back on the admin side. What are some strategies to be able to draw down from the line and use the other funds for a project?

John Laswick: One strategy that is kind of slow is to use a revolving loan fund. I am guessing that you are in California, right?

Jose Durado: Yes.

John Laswick: You are buying and selling houses, and continuing to get program incomes. You can set up a separate fund to receive the income from that activity. That would stay in that activity. Eventually, you would kind of run through your other program income by buying and selling houses. Get down to the funds that are left in your line of credit. You cannot transfer program income on hand into that account, so it takes a while to do it that way. I guess the other way would be to maybe try to put it into a shorter term use like a construction loan or something like that. Then again, you would still have to be able to apply it to your admin costs in order to get it out of the line of credit. It is not real easy.

Jose Durado: Okay. We had thought we were going to keep some of the admin for ongoing administration through the affordability period for some of these projects. I think that that is not the case anymore.

Hunter Kurtz: Well, it kind of is. I mean you can retain this as a slice of PI.

Jose Durado: It is a PI for admin.

Hunter Kurtz: Right. Have you extended all of your line of credit? I guess that is my first question.

Jose Durado: You only have PI left.

Hunter Kurtz: Right, so you can keep a chunk of PI set aside for admin in the future.

Jose Durado: Right, I see what you are saying.

John Laswick: As long as it is 10% or less, it does not really matter where it comes from. Yeah, you can do that. We wrote that up a couple years ago too on a short policy alert maybe two years ago.

Larry Reyes: That is 10% of the total amount of the grant amount plus the program income.

Hunter Kurtz: It is plus program income, right.

Jose Durado: Our grant amount was about 2.8 for our entitlement. We spent about 5 million because of program income. We still have some funds left in our line for admin, so I think we have to make some adjustments.

Hunter Kurtz: Is this in your line of credit?

Jose Durado: That is right. We never touched it because we kept getting PI. There was no need to draw down from our line of credit.

Hunter Kurtz: Right, then you do need to. The first in and first out rule still applies. You need to draw down all your PI and then draw down that line of credit. You do not have to stick to that. If you know you are going to be getting more program income, either you can use those funds you have currently in admin for something else then use that program income that comes in later for admin. You can still have that flexibility.

Jose Durado: Okay, I see what you are saying now.

John Laswick: It is budget capacity for 10% of your grant plus program income. However you get there is up to you.

Jose Durado: Okay, that makes perfect sense. Thank you.

Jennifer Alpha: Thank you for your call. Stephanie, is there anyone else waiting?

Stephanie: Yes ma'am. Your next question comes from the line of Albert Ramos.

Hunter Kurtz: Hello.

Albert Ramos: Hi, this is Albert from Orlando. How is everybody doing?

Hunter Kurtz: Wonderful.

John Laswick: Great, how are you?

Albert Ramos: Okay, I am doing well. It is nice to hear you again. Is David still working over there? I have not.

John Laswick: He never worked when he was here.

Albert Ramos: Okay, anyway that is great. By the way, I enjoyed listening to the questions as well.

Hunter Kurtz: Can you name one of them for extra credit points?

Albert Ramos: I will tell you who I can name. I am going to name Gary Causey from Jacksonville. He is the man. He loves baseball more than me. He follows. I do not know. Do not tell him I said that. But he participated into the spring training for the Atlanta Braves a couple of years ago, and he did very well. He was playing actually. Let me know about that. Anyway, I have a simple question. One of the houses that we purchased and rehabilitated was burglarized. They stole the A/C. I think they stole it for copper. Then they also ripped out some copper lines and did some damage to it. We have paid from NSP funds to rehabilitate the house, so I know that we have to pay that from the city. It will have insurance. It is self-insured, but the city has to pay. Is that correct?

John Laswick: Yeah.

Albert Ramos: Okay. Could that money come from admin? Or does it have to come from the general fund of the city's own funds?

Hunter Kurtz: It has to come from the general funds.

Albert Ramos: Okay, that is the feeling I had. Thank you for taking my call. I enjoyed this webinar, so I will be alert.

John Laswick: Alright, thanks.

Albert Ramos: Thank you, bye.

John Laswick: Normally that would come from insurance proceeds. But if you are self-insured, then you are kind of screwed.

Hunter Kurtz: The thing is, with the insurance proceeds you can pay the deductible with NSP funds. That is the only time you get to do that is the deductible for the insurance. If you are self-insured, then it is like John said. That is not.

Larry Reyes: As a follow up to David Noguera, he is down at the hall here at HUD in Section 4 dealing with the contracts in Section 4.

Jennifer Alpha: Thank you. Stephanie, is there anyone else on the line?

Stephanie: There are no further questions in the queue.

Jennifer Alpha: Okay, that is great. Thank you. We do have more written questions. We have a question from Doreen. She asks I believe a question about DRGR. She says

I need to make adjustments in my drawdowns in NSP3. Funds were drawing down in one line, but budget amendments were done and now past drawdowns need to be adjusted to reflect those budget amendments. How is this task completed? Do you want me to take that one?

Hunter Kurtz: Yes please.

Jennifer Alpha: Doreen, I believe without having all the facts here in front of me, I believe what you are going to need to do is a voucher revision. It is a fairly simple process. There are some resources online that you can look up. But without walking you through all the technical aspects here in DRGR, I think your best bet is probably to submit an Ask-A-Question. Go onto the resource exchange and submit a question through the DRGR Ask-A-Question system. You will get somebody assigned to you who can really walk you through this specifically using the numbers and the vouchers that need to be revised. I think that is probably your best bet for accomplishing that task.

John Laswick: That is a good answer.

Jennifer Alpha: Okay, this is a question from Brian White. Once you have closed out and your funds and program income have been exhausted, will you still need to submit an annual performance report?

John Laswick: No. You will have to submit reports to track all the affordable units. But once you are complete and you have produced and occupied all your units, and met a national objective for every unit, you do not have to do that annual report anymore. Is that right?

Jennifer Alpha: That is great.

Hunter Kurtz: Basically, all you are saying is that you are going to need reports to say the properties are still there.

John Laswick: Right, that is a separate little report though. That is a spreadsheet or something. You track the properties until their affordability period expires.

Hunter Kurtz: Are they not submitting that through DRGR?

John Laswick: It is not an annual performance report. It is just that one report.

Hunter Kurtz: This is in what?

John Laswick: I do not know. Most of your numbers will not be changing.

Hunter Kurtz: I think it is an annual performance report. I think you are just hitting the button saying that nothing has changed during that.

Jennifer Alpha: Is that consensus? I think they are conferring internally on that.

Hunter Kurtz: Do you agree with us, Jennifer, on that one?

Jennifer Alpha: Yeah.

Hunter Kurtz: Who are we? Who do you agree with, Jennifer?

Jennifer Alpha: My understanding was that you would continue to report annually with respect to confirming that you are complying with the affordability restrictions.

Hunter Kurtz: Yeah, that would be done through the annual performance report.

Jennifer Alpha: Yes. That would be done through the annual performance report. You would see the report annually, but only for that purpose. You would not be reporting on financial matters anymore, program income receipts, or anything like that because you will not have anymore.

Hunter Kurtz: Okay, point for me.

Jennifer Alpha: As long as you still have properties that are within the affordability period that you need to confirm compliance.

Hunter Kurtz: It is now one for me and 7832 for John. I am catching up, John.

Jennifer Alpha: Thank you. This is a question from Bill Gearing. He asked who is a revolving loan fund be established for the NSP activities of a specific developer?

John Laswick: Revolving funds are very briefly defined in the CDBG regulations. They talk about setting it up for an activity. I believe that Paul Webster, our Financial Management Director, has said you can define that activity in wider or narrower ways. I think there would have to be some basis for that in the sense that the activity has to continue to produce income. If that one developer is very active, is buying and selling, and generating program income and so forth, then that is fine. If you just want to sort of wall that off. There is no activity then. That no longer is a revolving loan front.

Jennifer Alpha: Thank you. We have a question from a Department of Housing and Community Development somewhere out there in the world. They ask as the foreclosure market improves in some areas of our state, is HUD considering another reduction in the need score mapping tool so that we can expand our search areas for properties?

John Laswick: I do not think so. The data we have to buy for that is really pretty expensive. I think our budget ran out when our technical system funds ran out. We are just. I think I do not know. I mean I guess you can talk to us about if you really have no

activity left in those whether there is another way to justify a different target area. I cannot remember off the top of my head if we really got the ability to do that independently for every grantee. The reality is that is going to happen eventually to everybody I think. I mean we saw that right away at the beginning of NSP3 was people went in and defined relatively small areas as we were encouraging them to do. By the time they got around to trying to spend the money there, the problem had moved a half mile west. When the amounts were current, it was not such a big deal. But I do not know. I think we are going to have to come up with some sort of an approach to continue to modify these as we go along. The legislation calls for going into areas of greatest need, so I think there is probably some basis for us to consider a different updated local information, something like that, or statewide information. We would have to talk to you about it.

Jennifer Alpha: Great, thank you. If they have other questions on that, should they contact their HUD reps?

John Laswick: Yes.

Jennifer Alpha: We have another question from Peter. He asks when using CDBG funds to do an exterior home repair program; can we use NSP3 money towards that program since it is aimed at housing improvement?

Hunter Kurtz: You would need to—they are going to have to fit within the requirements of NSP3. It would need to be in the target area.

John Laswick: The property would have to be eligible.

Hunter Kurtz: Yeah, that is going to be your big one.

John Laswick: If it was vacant or something like that, abandoned, or foreclosed. Once you get out of those categories, for an owner-occupied unit it is probably not going to be workable.

Hunter Kurtz: Abandoned is pretty loose. If you are doing an exterior improvement, you may be able to. It is going to open up a whole host of other issues. I would be hesitant to do that if I were you without thinking that one through. We have that handy-dandy national objectives chart. Take a look at that and sort of think about how you would get from the left side to the right side of the chart.

John Laswick: I think the other problem is without a slum/blight national objective in NSP, we would be looking at you to have those houses occupied. If they are occupied or will be, that is fine. But if you are just fixing up the exteriors of houses that are vacant, the houses may qualify. But then you will not be able to meet a national

objective. You really want to talk up to your field office, and possibly they would be in touch with us about that.

Jennifer Alpha: If you need that national objective chart, Peter, you can find it in the closeout guide. It is in the appendix. You remember Leslie's question from earlier regarding whether recipients can enter into development agreements with developers using program income, then whether additional program income would be generated from the sale of those homes. She has a follow up question for you. Her question is would they be required to track the developer's program income?

John Laswick: Developers do not earn program income. If you do not address it in your development agreement, then really kind of you do not have any ability to do that. You should address it in your development agreement. A lot of times people will make a loan to a developer instead of a grant to be able to control that. It really kind of depends on what you want to do. You have a lot of flexibility in how you go. As Hunter said, you do not have to get that money back. Many communities try to get something back. This is whether a partial return of sale proceeds, treating it as a loan or something like that. It really kind of ends up being up to you what your goals for that property and that developer.

Jennifer Alpha: Part of her other question was do they need to use these funds for most NSP projects and track recipients, etc? It sounds like your answer is that.

John Laswick: Not necessarily. If you were not requiring that money to be returned, they can use that for other things. You need to be underwriting the project so that they are not getting oodles of cash out of the project. Their return should be limited to a reasonable rate of return. Within that constraint, it is not required that they return it, report on it, or use it for other NSP eligible activities.

Jennifer Alpha: Okay, thank you. There is a question from Carol Pierce. She says discuss what information is needed and what has to be entered into DRGR for activity closeout. This is specifically the address report information screen that needs to be added for each property NSP funds were used on. Okay, I think there are some resources on the resource exchange that would probably explain this a little more clearly than we can get into in detail right here.

Hunter Kurtz: Also Jennifer, on February 19 we will be doing a webinar about preparing DRGR for closeout.

Jennifer Alpha: Oh my goodness, there you go. That sounds perfect.

Hunter Kurtz: Yeah. We have resources. We also have a webinar that we did a while back about QPRs and closeout. You might want to review that.

John Laswick: Is the question what type of information you have to have for each property?

Jennifer Alpha: Yeah, I was looking at it here a little bit more closely to see if I could kind of glean a little bit more about what they might need. She says discuss what information is needed and what has to be entered into DRGR for closeout activity? Specifically the address support information screen that needs to be added for each property NSP funds were used on.

Hunter Kurtz: I think that is primarily your address. Then it has the start and end date of the affordability period.

Jennifer Alpha: That is right.

Hunter Kurtz: You do need to fill that screen out. It is also helpful because you can pull report and substitute one of the forms with that report that you pulled from DRGR when you close out your grant. It would make your life a lot easier.

Jennifer Alpha: Yes, that will be helpful. Essentially Carol, you are going to need addresses for all your properties. You are going to need the start and end dates for all your affordability periods. Then that is sort of what you need to set up the closeout process. Again, as part of closeout you need to have reconciled all your beneficiary data in DRGR as well.

John Laswick: I think you have to report whether it is recapture, resale, or rental.

Hunter Kurtz: Yeah, exactly.

Jennifer Alpha: That is right. It is good to hear about the February 19 webinar. That should be very well attended I bet.

Hunter Kurtz: Yeah, I think it is going to be. We hope to have some DRGR experts attending.

Jennifer Alpha: I will be there. Stephanie, we have some other written questions. Do we have anyone waiting on the phone line?

Stephanie: No ma'am, not at this time.

Jennifer Alpha: Okay, that is great. We have a question from Harold. He asked can you please repeat your policy statement on how much admin a PJ can take from program income. I thought I heard 20%.

Hunter Kurtz: It is 10. It is 10%.

John Laswick: My tongue slipped.

Jennifer Alpha: Okay, that is nice and clear. It is 10%.

John Laswick: It is 10% of grant plus program income.

Jennifer Alpha: Carol asks if an NSP property is foreclosed upon, does the affordability restrictions terminate under the HOME regulations?

John Laswick: I think they do under recapture. Nobody wants to finance resale, so I do not know about that one. I think I mean in a recapture scenario, you are supposed to be protected by having some amount that will be recaptured upon sale. In this case, the sale would be through foreclosure. It does wipe out the requirements. It is trickier for resale units. We have had some questions lately because FHA does not like to put mortgage insurance on those because it is trickier. I cannot say what that is. I mean in some ways it might require the grantee to purchase the unit. I am not sure.

Njeri Santana: We can look it up.

John Laswick: Yeah. We might want to write that in.

Hunter Kurtz: To ask a question, absolutely. Right now it went into the Ask-A-Question.

Jennifer Alpha: Yeah, just go to the HUD Exchange. Go to the Ask a Question section. You can do the NSP pool and submit your question. Someone will get back with you with a more specific answer. Okay, we have a question here from Kristen Cooper. She asks is there a limit on the amount of NSP that you can put towards public facilities that support target area activities and also meet a national objective.

John Laswick: This is NSP1 you mean. There is technically no limit. The only NSP that you can use for public facilities is NSP1. There is not strictly a limit.

Hunter Kurtz: But there are limits on permits and other things that you need to do.

John Laswick: Right, you have to do it.

Hunter Kurtz: It is 25% of the grant to house folks and 50% AMI. I mean there are other requirements that would push that number down. But there is no flat out public facilities cap on NSP1.

Jennifer Alpha: Okay, thank you. I have a question from Bill. He says following on the earlier telephone question, if a home was purchased and rehabbed with NSP funds but has not been sold or rented yet and now has further need of rehab, a new rehab must be funded by the insurance and grantee general funds.

Hunter Kurtz: Yes. OMB does not allow us to pay for things twice in the federal government.

Njeri Santana: That is double dipping.

Hunter Kurtz: It is looked at as sort of double dipping. You have to. We cannot pay for the same thing we have already paid for.

Jennifer Alpha: Okay, thank you for that clarification. This is the last written question for far here. We have two actually. A developer has a question to keep NSP1 program income to rehab a foreclosed property that has been purchased. Please clarify. I thought that if you were a developer you cannot keep program income. Can this be amended?

Njeri Santana: Yes.

Hunter Kurtz: I mean it depends on what the deal or the development agreement is set up between the developer and the grantee.

Njeri Santana: As long as both the grantee and the developer are on the same page, then they can amend the agreement to change that.

Hunter Kurtz: You always need to remember that what we talk about in these webinars are the minimum standards that are required. Many times grantees add a lot more stringent requirements. That is based on their needs and desires. Just because we say you can do something here does not mean that once you talk to City X, Y, and Z that is the way they are going to actually do it.

Njeri Santana: I think the bigger thing especially when you are dealing with a grantee and a developer is that everyone has to be on the same page and agree to it. If not, you are kind of stuck in the position that you originally contracted with the developer for.

Jennifer Alpha: Okay, that is great. There is one more question here. There is a couple more, actually. That is good. Can you repeat if NSP1 program income can be used for CDBG projects in the future?

Hunter Kurtz: As long as the CDBG project is eligible under the NSP project, the answer is yes. At this time there is no plan to make NSP program income CDBG program income. I will point out that there is a lot more flexibility in general, especially with housing, for NSP funds versus CDBG funds.

Paul Patterson: If there is any question on it, you should always talk to your local field office just to make sure it is going to be alright.

Hunter Kurtz: That is a good point, Paul.

Jennifer Alpha: Okay, we have a question from Melissa Irving. She asks how is program income generated after closeout by a public housing authority who is a member of an NSP2 consortium be handled.

Hunter Kurtz: How will it be handled? Depending on who the lead consortium member is, in general the program will be treated the same that it is today. The lead consortium member will need to report on that program income that is earned.

Jennifer Alpha: Okay, thank you. This is a follow up question. They say we cannot double dip to repair an NSP project and have to cover it from general funds. Can we add those expenses to the original NSP funds when selling the repaired units?

Hunter Kurtz: One thing is when we say repairs; I guess it depends on what the repairs are. If it is something that you did not repair the first time, I remember we had a number of situations when we started the program where they would repair a house and get ready to sell it, and the sewer line would fail. Nobody had ever touched the sewer line. You can go in and fix the sewer line because you have not done anything to it. I guess that is sort of a way out of here. I do not think you can add the expense on. You can use general funds though.

John Laswick: I mean you are going to be limited by fair market or market value. If you have not been able to sell the house, I am guessing it is not the greatest neighborhood either.

Hunter Kurtz: If you enter $5000 for the sale price, and it is not going to get you to where you need to be.

John Laswick: Call your field office or write it in. We will see if we can help you with that.

Jennifer Alpha: Ask-A-Question. It is a wonderful tool.

Larry Reyes: That is one of the reasons why you do not want to have your houses sitting vacant for long periods of time. You want to get the deep discounts if the houses are not moving and move them along. That is not a problem.

Jennifer Alpha: Okay, thank you. We have another question here from Nira. She asks if the sale price of a property is less than the appraised value of that property, would that affordability gap be considered a direct subsidy for the purposes of affordability.

John Laswick: If the sale price is, it does not have to do with the sale price. It has to do with the development cost and the appraised value. The appraised value is, let us say, $100,000. You are going to sell it for $80,000. That is a direct subsidy of $20,000. If

you paid $130,000 to buy it and fix it up, that $30,000 above the $100,000 is the development subsidy. That is the piece that you cannot recapture and you will not get. That is a sunk cost. Anything below the appraised value is a direct subsidy and is subject to the affordability period. That $20,000 would get somebody I think a 15 year affordability period. Does that make sense?

Jennifer Alpha: I think so. If not, feel free to send in a follow up question and we will add it to the queue here. We have another question from Jose Durado. He asks with limited foreclosure/abandoned inventory in our community, it has the running flexibility to expand the target areas.

Hunter Kurtz: Yes, you have to work with your field office depending on whether it be NSP1, 2, or 3. You need to amend your plan. I would pick up my phone, call my field office, and work with them. They can walk you through the process. Typically, for 1 and 3 it is a lot like a Con Plan amendment. For 2 it is a little more in depth because of the competitive program. The amendment actually has to come here to HUD and we have to re-rate your application.

John Laswick: The only thing you could really buy in those neighborhoods maybe is vacant units. You probably do not have too many of those either. It is foreclosed, abandoned, or vacant. Vacant is the sort of easiest category. But being in California, I realize it is a pretty tight market even where things were bad five years ago. They have some nice properties in Detroit area though.

Jennifer Alpha: Stephanie, is there anything on the line to ask a question by phone?

Stephanie: There is not at this time.

Jennifer Alpha: Okay, that is great. We do have a question here from Carol. She asked if NSP funds to a home buyer are recaptured before the affordability period is complete, what can the recaptured funds be used for?

John Laswick: It is for program income. It is NSP money that can be used for any NSP eligible activity.

Jennifer Alpha: Okay, that is great. That is the last of our written questions. Do you have any more trivia while we give people a moment to think of something else to ask?

Hunter Kurtz: Ty Cobb is one of them. Actually, I was going to do something else. Here, we will run through the list really quick. It is more important than the upcoming webinar.

Njeri Santana: Oh, the room lit up.

Hunter Kurtz: Ty Cobb – who else did you say?

John Laswick: Honus Wagner.

Larry Reyes: Babe Ruth.

Hunter Kurtz: Yes, Walter Johnson and Christy Mathewson. Those were in 1936 the initial inductees to the Baseball Hall of Fame. On less exciting news, we do have a series of webinars coming up on February 10. That is a week from next Tuesday. We are going to have a webinar on NSP program income. On February 19 is our big one about DRGR and NSP closeout. On March 3, we are going to have a review of sort of basic NSP rules and regs. On March 10, we will have another question and answer webinar. Then on March 19 is the disposing of difficult properties webinar.

Jennifer Alpha: That is excellent.

Hunter Kurtz: Do we have any more questions on the phone or written in?

Jennifer Alpha: We have another written question here.

Hunter Kurtz: Okay.

Jennifer Alpha: Matthew asks does the new announcement on NSP2 line of credit draw allowance change the general rule that NSP2 grantees must spend all program income prior to line of credit.

Hunter Kurtz: It is only for these 42 grantees with a substantial amount left in their line of credit. That is what it will waive is the first in-first out rule. We will allow these 42 NSP2 grantees to extend their line of credit funds first. Then extend their program income. We did that because they have this September 30 deadline, which nobody else has.

Paul Patterson: What you are saying is on September 30 at the end of this fiscal year in 2015, for the NSP2 grantees only what they have left in their line of credit will be swept. That is again only NSP2 grantees that base that deadline of clear funds being swept on September 30.

Hunter Kurtz: It is of the way resulting for 42 NSP2 grantees. There is a handful that has a couple hundred bucks in, and they were not part of the 42.

John Laswick: There are 14 with over a million dollars.

Jennifer Alpha: That is our last written question. Stephanie, did anybody join us by phone?

Stephanie: No ma’am.

Hunter Kurtz: Did we just get another question?

Jennifer Alpha: That is the last one.

George Martin: It looks like one just came in, Jennifer.

Jennifer Alpha: Oh, we have one more. This is a follow up question to the answer you just provided. He asks will the announcement explain in more detail how to spend line of credit funds prior to PI in DRGR?

Hunter Kurtz: Yes, that is the only reason we have not blasted the waiver to everyone. We want to include some detailed directions on how to move the funds around in DRGR. We are trying to make this as easy as possible for everyone. We will get this out in the next day or two.

John Laswick: In simpleton terms that even I can understand, what you would be doing is creating an activity that is a waiver activity. It is basically moving all of your program income from your different activities into there, keeping track of it because you have to move it back out. Move it all into an activity that is out of the way. Then DRGR will let you draw from your line of credit.

Jennifer Alpha: Okay, thank you. Say that again, Hunter.

Hunter Kurtz: I said it looks like the board is lighting up. It looks like we have a couple more questions now.

Jennifer Alpha: We did get a couple more. Carol asks after closeout with annual reports, will the annual reports stop after the original affordability periods have been met? Or will the reports need to continue?

Hunter Kurtz: It is my understanding that the reports will continue. John or Jennifer, you can correct me if I am wrong here. The reports will continue until all the affordability periods have been met.

John Laswick: The test is for 20 years.

Hunter Kurtz: It could be even longer if you have new properties in for program income. Again, really all you are doing is saying yes these properties are here.

John Laswick: Somebody is going to be expecting you to make sure that on a spot basis you are going around and checking to make sure that they are still occupied by the original people and that sort of thing. There is a little bit of work behind that. I think it is safe to assume you will be doing this in perpetuity. If you finish earlier, congratulations.

Jennifer Alpha: Melissa asks a follow up to an earlier question. Is there a difference in how housing authorities' program income is treated versus a non-profit as far as

program income becoming miscellaneous revenue after five years? An earlier webinar made reference to a decision still needing to be made on housing authorities.

John Laswick: I do not recall thinking that we were unsure about that. Housing authorities are public nonprofits. They are different from private nonprofits. Only the private nonprofits will be able to spend funds five years after closeout and treat them as miscellaneous revenue. Everybody else is going to be treating it as program income maybe.

Jennifer Alpha: Is there anybody on the phone line, Stephanie?

Stephanie: No ma'am, not at this time.

Jennifer Alpha: Okay, that is great. There is a shy bunch here today with just a few phone calls. This is our last written question. You get a comment. Somebody said go Seahawks. Other than that, we do not have any other write ins.

John Laswick: Hunter is recalling that with the previous question on housing authorities, it would be affected by who the lead member of the consortium is and whether you have an open CDBG grant. I do not know. We might have to research that a little bit more.

Hunter Kurtz: Yeah, I think that is an interesting question.

John Laswick: You should send in to the resource.

Hunter Kurtz: Yeah. On the webinar on February 10, I think that is something we hopefully can cover then and explain in a little more in depth when we talk about program income.

Jennifer Alpha: Okay, that is great.

John Laswick: What happens when John comes back from being away for a year? He starts shooting his mouth off. No, you cannot do that.

Jennifer Alpha: Carol asked just to clarify then with respect to reporting on annual reports in DRGR. Annual reports will then never end as program income will have to be used for NSP eligible activities, so new properties will be developed with affordability periods.

Njeri Santana: That is a yes.

Hunter Kurtz: Eventually you are going to run out of program income.

John Laswick: This is why Hunter said currently there are no plans to move NSP program income into CDBG. Later there might be.

Hunter Kurtz: As everything stands now, the answer to that question is you will need to continue to report as long as any NSP properties have an affordability period.

Jennifer Alpha: Okay.

Hunter Kurtz: Yeah, that is as it stands today.

Jennifer Alpha: Alright, thank you. That brings us again to our last written question. Stephanie, do we have anyone on the phone lines?

Stephanie: There are no phone questions at this time.

Jennifer Alpha: Okay. I think we may have worn them out.

John Laswick: That is our strategy.

Hunter Kurtz: Thank you everyone.

Jennifer Alpha: Okay. I want to remind everybody about some resources here. We have a resource slide up. Remember that there is the resource slide as well as DRGR FAQs that are very helpful for all the NSP grantees. There are also training materials on the research exchange. You may submit questions via the Ask-A-Question system on both for the NSP general policy type questions as well as DRGR specific questions. This will get you some technical support and someone who can help you walk through some troubleshooting on whether it is something like batch revisions as we talked about earlier, or if you are just having some glitches that you cannot seem to get past. Then you can also request technical assistance using the resource exchange.

I think that brings us to our last slide here. It is just to let you know that there will be a short survey that you will be asked to take at the end of this webinar. We always appreciate your written comments. All those are very helpful to us in getting you what you need in future webinars. If you have any substantive questions about NSP however, you are better off sending those questions through the Ask-A-Question pool rather than putting them in a survey. You will get your response more quickly. We will pull those out when we see them, but it will take a little longer.

I got one more question for you guys if you do not mind taking it here.

John Laswick: We charge extra now.

Jennifer Alpha: Kevin asks can we clarify if affordability gap includes closing cost and down payment assistance in terms of calculating the affordability period.

John Laswick: Yeah, they do. I mean in a couple of those cases, the down payment assistance will be an amount that is below the market value or the appraised

value. But closing costs might go a little above that, but they are still directly benefiting the purchases. Those would be included. They are not development subsidies.

Jennifer Alpha: Okay, thank you. With that, I just urge everyone to click on that Survey Monkey link and give us your feedback. I guess we will see you all in the next webinar.

Hunter Kurtz: Did Kevin just ask another question?

Jennifer Alpha: Oh, he sure did. They do not want to let us go. He said would that change recapture versus resale provision.

John Laswick: No. It is your choice how to track that. The principal of how much you calculate is still the same, which is anything below market value is a direct subsidy. This is except for closing costs. Anything above it is a development subsidy, which is not subject to the affordability calculation. Resale and recapture are just two different ways of accounting for that amount of money.

Jennifer Alpha: Okay. I will pause for a second and see if there is more follow up. He says thank you, so I guess we did it.

John Laswick: Thanks Jennifer.

Jennifer Alpha: Alright, that is all. Everybody have a great day.

Hunter Kurtz: You too, thank you.

Jennifer Alpha: Okay, bye.

Stephanie: Thank you. This does conclude today's teleconference at this time. You may now disconnect.

[End of Transcript]