NSP-Target Area and Program Income Transfer Updates-

0:00:01 Jennifer: Please mute your computer audio so that you don't hear any echo. If you have any technical problems, you can email my colleague, Garrett Lear, at G-L-E-A-R @ T-D-A-I-N-C.org, glear@tdainc.org, or you can send a chat message through WebEx to the host. That will go directly to Garrett, and he can help you with any technical issues you might have. All participants will be muted during this webinar; however, we will be taking questions throughout the presentation. Questions can be asked in writing using the Q&A tool. You can ask your questions at any point during the presentation, and I'll collect them, and we'll have our panelists answer the questions when we stop between the segments.

0:00:49 Jennifer: To ask a question, use the Q&A tool, it's located on the right-hand side of the WebEx screen. You can see a screenshot of what that looks like there on your screen, towards the right side. If you do not see it, click on the triangle and it'll expand the box. Ask questions to all panelists, and then just type your question in the box and click send. We may not be able to get to all questions today, but we'll try to answer all the common ones first. This session is being recorded, and an archive will be created on the HUD Exchange. The archive will also include the audio-visual recording, a PDF of the presentation slides and a transcript. If you do need the slides today, you can just send a question in the question box and we'll have those put up in a link so that everybody can download those slides today.

0:01:44 Jennifer: Okay. With that, I'd like to welcome our panelists for today. So, we have our typical team, our esteemed panel from headquarters, John Laswick and Njeri Santana. Unfortunately, Marilee can't join us today. As I mentioned, I'm Jennifer, and I'll be helping to moderate today's session. So our agenda for today is a brief welcome and then we're going to focus today on the Federal Register Notice that came out just a week or so ago, couple weeks ago, that makes some exciting changes for NSP grantees that will give more flexibility as you try to wind up your NSP program and move towards closeout.

0:02:32 Jennifer: So those items included in the Federal Register Notice are changes to target area requirements, updates to program income transfer approvals, and then we're going to talk a little bit about the note in there that there is a potential for cancelling NSP funds for folks who are not using them, so we'll go over with that's all about. And then, of course, we'll be taking your questions and answers, we'll stop after each of these main topic areas to take questions on that section, but we'll have some time at the end to ask general questions as well, and you'll have an opportunity, one last opportunity to get John Laswick to answer your questions about NSP. This will be John's last webinar, so it's also sort of a party, so we're glad you're all here with us, and then we'll give you some resources that you can use on these topics today, but just generally for NSP. So, with that, I'll turn it over to John to get us started.

0:03:32 John: Thanks. Yeah, give us all your questions, so I'm just going to be making up answers today.

[laughter]

0:03:39 John: Which is actually what I've been doing all year long.

0:03:41 Speaker 3: We never knew. [laughter]

0:03:44 John: Okay, so I'm sure you've heard us wringing our hands and gnashing our teeth about how we can't get the NSP grants closed, and there's a lot of good reasons for that, such as, you still have money in your account. And so, we want to open things up to try to move you forward, if you can. One of the biggest things that we think is going on is that, it's been almost impossible to do an amendment, a target area amendment, since we stopped paying for updates to the data back in 2015, I think, or something like that, and I know many of you have the same target areas that you had back in 2008. So, we had a process when NSP3 came along, and it was a very nice little map that you could go to and decide if you met the... If your score added up to 17 or more and that kind of stuff, but that was a very expensive system to maintain. And I really, I don't think... I think if we had known five years ago that it was going to... That we would just be still sort of crawling along with closeouts, we might have updated it a little bit better, but so be it.

0:05:05 John: So what we have now is the ability for you to re-designate your target areas, and it's really going to be mostly a grantee-driven process, so, think the control is in your hands, and we'll talk about how that goes, but you may need to expand your target areas, you may need to change it altogether. Lots of places don't have eligible properties in what is their target area, so we think this is what's going on, we know this is happening some place and we hope this is going to open up the maps for all of you to move into a better, stronger position with your eligible property. So, this one, we also are looking at... This notice allows grantees to transfer streams of program income. So heretofore, we've had sort of an individual one-off type of a transfer that you had to put together and make a request and we had to approve it, and it was just for that specific amount of money.

0:06:16 John: Under the new system, and Njeri will go through this for us, you can say, "Okay, my Ac/Rehab program is going to be earning program income for the foreseeable future. We have decided that we don't want to keep it in NSP," although you can, and close, "but we want to transfer it to CDBG." We can set it up so that every program income receipt that you have from the Ac/Rehab program goes automatically to your CDBG account, so I think that should be easy. We didn't really get that many program income transfers under the old system, the single system, so hopefully, this will be something that makes it more attractive to you all.

0:07:08 John: And I want to say again that program income does not have to be transferred to CDBG. And I want to say again that program income can be earned after closeout. You can take program income past closeout, so you have the option of deciding whether you want to have it be CDBG or NSP money, but we would like to see you close that grant out and this will, we think, help clean out your program income so that you can spend your line of credit funds. And then the final notice, the final item in the notice was inspired by our office of inspector general, who...

0:07:51 S3: You love to love.

0:07:52 John: Thinks that... Pardon?

0:07:54 S3: I said you love to love the OIG.

0:07:55 John: I love to love the IG, yes.

[laughter]

0:07:58 John: I just met a... I met an IG person that I liked this week.

[laughter]

0:08:02 John: Maybe I should stay around.

0:08:04 S3: As you're leaving.

[laughter]

0:08:05 John: Anyway... Well, so they're kind of beating up on everybody and they're saying, "Well, there's a law that says that you can't... That the agency can cancel funds if they haven't been drawn for two years and the agency determines that the need no longer exists." And so, that law has been on the books, but wasn't explicitly mentioned. We have said that these are in NSP1 to 3, these are no year funds, and that's still true, but obviously, they want to kind of see us moving this along and closing these projects out. And of course, we do too, so... But we wanted to bring that to attention more explicitly, so... I think we can go to the next slide. I think we... Can we get to the file? Think we need to go back one. Yes, here we go.

0:09:08 John: Okay, so some of this I've said. So, we think that many existing target areas are obsolete, or at least weak sources of good projects. Looks like that, certainly in the growth states, the Florida, California, places like that, where they're strong markets and they can sell pretty much anything they can get their hands on, but they can't get their hands on much anymore. So, we think that's a big part of the blockage here, and I'm going to keep watching from my retirement to see if that's true, so you get out there and you make these changes.

0:09:47 John: So after trying several different ideas for this, our attorney came up with, I think, a brilliant, understated, simple way to do this within the regulations that doesn't require a lot of additional data on anybody's part, just some, but... So, the September 12th Register Notice provides that.

0:10:17 John: As in the past, field offices have to approve amendments for NSP1 to 3 grantees. NSP2 grantees will, as in the past, still come back to headquarters for paneling and re-scoring. I don't think it's going to be any more complicated for one or the other, unless you've got these vast target areas or areas of operation. I think we must have had maybe 15 or 20 NSP2 amendments, something like that?

0:10:48 S3: Yeah, there have not that been that many, but the good thing about NSP2 grantees is that they're all, their line of credits is all spent.

0:10:55 John: Right, right, so you've spent all your money there. But yeah, so however many, maybe 12 or 15 that we've had come through as amendments for other reasons, they've all been approved. So, I don't think you should e-peer that process. Next slide. Okay, so the data to justify the changes will be defined by the grantee. Now, we are asking for a couple of minimal things, but basically, what you need to do as a grantee that wants to change its target area is to come up with a convincing, reasonable case that this new area should be a target area, either added to or substituting for the one you're using now, it really doesn't matter. Technically, this happens by eliminating two sections in the notice on foreclosure needs website and minimum score, so that's what I was referring to.

0:12:04 John: Those you who have played with the NSP3 mapping system know that it was... You had to reach a certain score among all the census tracts that you were interested in in order to qualify. That's out, that's... And we're more into a sort of user-driven system about your field offices and headquarters will still have to accept your case, the case that you make. Yeah, so they have to find that it's reasonable. We're not looking to turn these down, so just give us a good case with some data and that should be sufficient. I'm sure there'll be some questions, but this is... We're trying to facilitate this process, not box it up in yet another kind of bureaucratic cul-de-sac.

0:13:07 John: But our field offices are in touch with us and they can ask us if they need guidance on a particular situation and we'll talk about the data. One thing we want to point out is that with the exception of cities under 25,000, we don't want your target area to be your entire city limits or county limits. It should be smaller than that and I don't even know if we have any 25,000 population grantees.

0:13:43 John: Not very many if we do. So I think that means you want to go into the more distressed areas, but not necessarily the worst part of town. I think that was a mistake that people made in NSP1 was we said areas of greatest need and everybody said, "Oh yeah. We know those. Those are the high poverty areas we always work in." Well, they have needs but those areas don't necessarily have the means to absorb new housing or... And there's other situations. So, I'm not saying you shouldn't go into those, but I don't think you should limit yourself to those because you need to find places where you can move the money. Next please. Back again. Back one slide. There you go.

0:14:41 Jennifer: Sorry about that. It keeps wanting to race ahead. [chuckle]

0:14:44 John: Yeah. Well, I know it's doing that for me.

[chuckle]

0:14:51 John: We're only going to do every other side today, folks. We'll post them and good luck.

[chuckle]

0:14:56 John: So okay. So NSP1 and three, grantees have to provide certain information by activity. So, if it's a rehab or if it's new construction. And so you have to tell us how the grantee will use the funds. So that's pretty basic. And your use of funds may have shifted over the years and you may in fact want to amend your activity selection with what you know now or with where you've been and that could be part of the amendment process. So here we are back to... So our attorney kind of just listed language from the legislation from HERA that talks about areas of greatest need addressed by the activity or if you're addressing other areas such as these new areas, you have to tell us about the nature and extent of need for neighborhood stabilization.

0:15:56 John: And here's the little sort of specific data points that we would like to see at a minimum if you have them. Include data on local housing market, credit and employment needs that are contributing to the decline in other areas. I would also say, and I checked around a little bit on this myself, if you go to Zillow and sites like that, even in smaller towns and certainly in bigger towns, they have a mapping system that you can filter just by foreclosures and when you do that, it's very obvious where your foreclosure needs are still present. So that kind of a graphic will take you a long way towards establishing that your area is a reasonably designated area.

0:16:51 John: We are going to have... We have some data sources, a couple of slides back, I think that will help you to look for that information in the census. And so, I hope... I really hope it's not going to be too bad. I talked to a guy in our policy development and research section who's been very helpful for us and he says these things are available on a census tract basis, which is plenty for this program. You don't have to go down the block groups or whatever. So, you just have to have a reasonable plan. You don't have to prove that it touches some sort minimum level of distress. That's all going to be variable by grantee. So, I know you're going to have a lot of questions about this part, but hopefully we can answer them. But again, just think reasonable area. Field offices just think reasonable area. And I think we're not going to fight about these unless we absolutely have to.

0:18:07 John: Okay, next slide please. Okay, so the NSP2 grantees really kind of not different information although you can see the nature and extent of need for neighborhood stabilization, the factors for a local housing market, credit and employment needs that are contributing to the decline of the area... Those are identical to NSP1 and two. What you will see is the difference is that you have to submit these to headquarters. We always have to re-panel and re-rate those just because of the nature of the Recovery Act Legislation. But as I said, we have not, to my knowledge turned anyone down on one of those.

0:19:03 S3: I was just going to say that also too, if we ever for the NSP2 amendments... This isn't Jerry. For the NSP2 amendments, whenever we find like there's some questions or some concerns, we definitely reach back to the field office, as well as to the grantee to get clarification before scoring them. So, there's some opportunity just to make sure that things are as they should be, before we actually rate them.

0:19:30 John: Right. Yeah, I was just thinking to myself. I know, I can recall at least one amendment where we kind of negotiated the boundaries a little bit. But that was as bad as it got so... And that grantee was a smarty pants anyways.

[chuckle]

0:19:47 S3: I would neither confirm nor deny. [chuckle]

0:19:53 John: Okay, alright, next slide please, Jennifer. Okay, so we have been hearing a lot about opportunity zones, as I suspect you have. Our leaders had said, "Well, what can we do to promote opportunity zones? What about making every opportunity zone an NRSA?" And we said, well, we can't really do that. There's just too much... There are too many programmatic requirements that go with an NRSA, and with opportunity zones, it's just a tax credit, so there isn't a philosophical construct that goes around it, it's just, here's a way to get some money into poorer areas, which I'm in favor of. So what we said was, "Well, what about this, what if we, in the process of opening up these target areas, we could suggest that you might take a look at opportunity zones that are in your jurisdiction," most of you probably have at least one, "and see, would that fit in a target area that's reasonable?" And I would suspect there's probably some out there that do.

0:21:09 John: This is a suggestion, we are not requiring this, but I think, as I put this together, realize well, it's really a fairly good fit and everybody's looking for money for opportunity zones. So we have $150 million worth of line of credit funds still out there, and currently about $220 million in program income, and quite honestly, we suspect that there's more out there that hasn't been racked up onto the accounting records yet. So, there's money to do these kinds of things that you could go into and match up with an opportunity zone. So, there are designated low-income census checks and the incentive is to invest in real estate projects or businesses in these communities in exchange for tax consideration, which we are not going to go into at this point.

0:22:13 John: So, this is voluntary, but I said the power of these redevelopment tools could increase the scale and feasibility of both programs. So I just talked to somebody this morning who did a 28-unit townhouse subdivision in California and this was current money and current project and this was a $15 million project, I suspect it could have benefited from some opportunity zone investment, so now you'll have that have that opportunity. It's hard to talk about this without...

0:22:51 S3: Using opportunity. [chuckle]

0:22:52 John: Doubling your... I feel like the opportunity language people. Okay, so next slide, please. Alright, so we have just this little graphic to show you that, basically, there's this leveraging dynamic that can take NSP as well as opportunity zone funding and combine them to create a better world. Okay, next slide, please. Alright, and we'll talk about some examples, but here's how, in theory, something could happen, NSP funds could be used for acquisition and clearance, which we have done lots of in the program. Obviously, it must benefit low to moderate income persons households, but opportunity zones are in areas with at least 20% people below the poverty level, so that doesn't guarantee you that it's a 51% low and moderate income, but there's a pretty good chance it does. So, then you take those opportunity funds that go through... The opportunity zone creates a fund or there are just funds that are out there to invest in opportunity zones and use it as a source of funds for the development itself and then you could get NSP results with residential. You could also go to any of these places that you're including in your NSP target area and use CDBG funds to expand it to public facilities and public services.

0:24:47 John: I'm sure you've heard these presentations around opportunity zones and it's a very lawyer-driven program from what I can tell, it's just a lot of detail and a lot of very... Ifs, ands, or buts, but I think in the right hands, you can see, you can envision a project and you can see how you would move it forward and then you can turn it over to your attorneys to make it all work. But in theory, it's not that painful. Okay Jennifer, next. Want to do this one?

0:25:27 S3: Sure. This is Njeri, so here on this slide, we have a couple of examples of how you can make opportunity zones work with NSP. So, for the first example, you're going to use NSP finances, as John just suggested in the last slide, for acquisition or demolition of maybe a downtown property. And the OF finances the development of the 300 multi-family units. The project is located in an opportunity zone near businesses and economic development opportunities. So this one would help with making sure that you get rid of maybe some property that doesn't look that great and it will also benefit, when the project is completed, spreading potentially economic development or spurring economic development in the downtown area, which has become the thing to do in a lot of, especially big cities.

0:26:28 S3: The next one is NSP will acquire an abandoned residential property, the OF investor finances development and they break ground on the 90-unit apartment complex located in a rural opportunity zone, and the project will provide entry-level housing to the community. So we know that especially with this administration they're trying to reach out to a lot of the rural areas and this is a great, great way to make that happen and especially for people who maybe don't have the ability to get into the housing game, this kind of gives them that entry level into it.

0:27:09 S3: NSP finances, for the third example, would do a demolition of the blighted structures within opportunity zone. The city could award the site development to co-developers, an investor, and a home builder for a mixed-use development requiring a portion of the units to be affordable for the first 30 years. And I think this is definitely a great example because we know that in some communities, when you talk about affordable housing, it can be a little sticky. And this way when you kind of have mixed-use housing, which is a lot easier to sell in specific communities, it could be a win-win situation for everyone involved, so this is a perfect example of how to make that happen.

0:27:53 John: Yeah, thanks. And these examples are based on at least real proposed projects in different parts of the country, so this isn't just something we made up. But yeah, but I think the mixed-use and I think larger projects where you might want to have some jobs in part of it and some services and keep the... The NSP is only going to be able to do the housing, but you can come in there with CDBG and/or the Opportunity Fund can just go ahead with the other services, the other developments, that you want and I think you can... Depending on your budget and the scale of the project, having two sources of funds or CDBG, three sources of funds is, I think, going to be pretty attractive.

0:28:55 John: Next slide, please. Okay, so I mentioned that our PDNR people suggested that you could use the following data for your request for your amendment to expand your target area, so this is all available at the tract level. There's vacancy data, there's a specific site for that, there's also the ACS, the 5-year American Community Survey, that has information on employment status, poverty status, and vacancy status. Our faithful advisor Kevin Park says that the ACS stuff is a little goosey year-to-year because they're doing smaller samples, you've probably bumped up against this already. So, if you see some anomalous stuff, and it says, "Oh, well. Hey, unemployment's way down," and you know that's not the case, well, then you can challenge that or point that out, in the case that you're making.

0:30:04 John: But I think this is pretty much all you need. And if I were you, I would use the Zillow maps for foreclosures as well because that's a neighborhood revitalization need and it's visual and I think a lot of this, probably, is available in a visual format so you might only need a half a dozen pictures to get your case across. So, anyway... So, is this where we stop for questions on this session?

0:30:41 S3: I think so. Jennifer?

0:30:43 Jennifer: Yeah, it is, yeah. And we do have some questions, so we'll start at the top here. The questions that came in, one second. Okay, my scroll bar isn't working. Well, first, Jeff would like to congratulate you, John, on your upcoming retirement. [chuckle] It's important to note that too. And also, Cindy has a question about the PowerPoint and where she could get the slides. So if you go ahead and you look in the chat box, everyone, all the attendees, if you're interested in downloading the PowerPoint slides, you can look in the chat box. There is a link, Garett posted a link and you can click on that link to download the slides.

0:31:37 John: Triangle or something, but I don't see that.

0:31:39 S3: Me either.

0:31:41 Jennifer: No, if you open your chat, it's on the right-hand side. There will be a little thing that says, "Chat." If you click on that sideways arrow it should expand and then you can scroll through and you'll see the link. Rhianna has a question about opportunity areas, not opportunity zones so to speak. So, she asks, "What about areas of opportunity that have limited affordable housing? Those areas are not in decline, so to speak, but a strong case can be made for the need for affordable housing and would increase access to high quality schools, jobs, healthcare for residents of the housing that would be there?" And again, this isn't about designated opportunity zones, but just areas that provide some opportunities but aren't necessarily in decline. Would those kinds of areas be good target areas?

0:32:39 John: Well, I mean if it's not tied to a particular program, I'm not sure. I think for NSP, for example, it would be reasonable to have some of your target area that includes such an area maybe not the whole thing, but I think that... As I said at the beginning, all of us felt like in the beginning of the NSP there was this rush to the worst possible areas in your community. And in a lot of cases, people bought property there and then they couldn't do anything with it. So, there's places that are not ready for redevelopment and then there's places that, as I think you're describing, could benefit from some preemptive treatment so that you can maintain an income mix. If you want to use NSP, you need to make sure there's properties that you... Eligible properties, foreclosed, abandoned, vacant, blighted that you could spend your money on.

0:33:50 John: CDBG could be used in those areas, depending on what you're doing. If it's housing and you can limit the beneficiaries to low- and moderate-income people, it doesn't really matter where it is, in fact, it's probably better if it's not in a real poor area. But if you're trying to do public improvements and it's an area that's only 40% low and moderate income then you're going to have a hard time doing that. You wouldn't be able to do that with NSP. But again, that may be where the opportunity zones come in because they don't really have that kind of criteria that apply to the use of the funds. They make an area designation based on poverty levels and then that's kind of it. So, I don't know. I'm not sure I answered the question, but if I didn't, write back in.

0:34:48 S3: She's going to write back, that's Rhianna from the Community Builders.

0:34:51 John: Yeah, she's a troublemaker.

[laughter]

0:34:57 Jennifer: Okay, thanks for that. And the next question is from Jim. He asks, "Is it correct to assume that in the opportunity zone examples, the affordability period would be applicable per the grantee's action plan? So, number of affordable units, period of affordability etcetera."

0:35:15 John: Yes, proportional to the NSP or CDBG money that's in there, yeah. So if you're only doing 25% of the units then it's not going to apply to the other 75%. But yes, any of the properties that are touched by our funds will have those requirements that go with them.

0:35:38 Jennifer: Great. And Rhianna said that that did help to answer her question, so thank you. Very good. And that is our last question so far on target areas. If you all have other questions on target areas, don't be shy. If they come to mind later, you can write them in and we'll catch them at the end but that would be our last question that we have for now.

0:36:03 John: So, Jennifer let me jump in here with an announcement because I don't want to wait 'til the end and everybody's clicked off is that people are saying, "Okay, John. Well, you're retiring so now what?" And now what is that we still have Jerry and Marilee Hanson who've been with the program from the beginning and know it well. We are also in the process of hiring a four-year term employee to specialize in close outs. And then we have hired a person to come in behind me, her name is Tanya Winters she doesn't start until Monday. How's that for timing? But I have met her, and she came in and she has a ton of affordable housing finance experience, way more than I do. And as you know that's half the battle with NSP is like, "Well, how does this work?" And I'm sure she'll pick up the NSP material quickly, but she'll have support here and anyway, yeah. I like her a lot. So I think you're in good hands there.

0:37:21 John: And then for the questions that befuddle even the experts we have Jessie Handforth Kome who is our acting director of the Office of Block Grant Assistance, who has been with the program since before the beginning and knows a whole lot about it and knows how to solve problems, and so I think we have collectively pretty much the same fire power. I would say that because of her responsibilities in the Office of Block Grant Assistance, Jessie may not be able to get to things immediately but she's pretty good at turning stuff around, so I feel like you're going to be in good hands so don't freak out and don't call me.

[laughter]

0:38:16 Jennifer: You're not leaving your number at the end of the webinar, John?

[laughter]

0:38:20 John: I'm kidding, I'm just kidding. We did get a couple other questions in, we may as well take them now if that's okay. Somebody asked, "If NSP funds are used to... " This is Rochelle, by the way, asked, "If NSP funds are used to demolish, can the developer/builder/partner use CDBG disaster recovery funds for the future development?"

0:38:49 John: Yeah, except that you will be limited by the more restrictive standards, which the income limits come to mind. So, in NSP you can go up to 120% of median income for beneficiaries. In DR and CDBG, you can only go to 80%. But yeah, it's definitely possible. And we had... I don't know, we had a very strange case that is so complicated that I won't go into it. But trust me, it proves that it could work, so...

0:39:29 Jennifer: Good. And then the next question is from Anita, and she asks if they can expand outside of their county.

0:39:37 John: No. No, you have to be working inside your jurisdiction.

0:39:46 Jennifer: Okay, good. Okay, so I think we have a summary slide here, if you want to cover that before we move on.

0:39:53 John: Okay, so this would be on the quiz, so pay attention.

[laughter]

0:39:58 John: You can propose new areas using local data and explanations to demonstrate a reasonable plan, just nice and succinct. So NSP eligibility and performance requirements apply if you're going to opportunity zones as well, so whatever... Wherever you go with your new target area, it's still NSP land. And then, make sure you contain...

0:40:22 John: We've said this, sufficient eligible properties to absorb the funds, so your list of eligible properties, those that are foreclosed, abandoned, blighted, demolished, or vacant, and then there's even some foreclosed residential property, so they're mostly residential properties, except where they're vacant or demolished. But yeah, you could demolish a terrible building and sell it to somebody that's going to put jobs on it and use somebody else's money for that, so there's a lot of ways this can be used in conjunction with other programs. Next slide, please. Oh, okay.

0:41:05 Jennifer: Yeah, so this is our fun part of the webinar where we get to hear some stories from John.

0:41:11 John: I don't know.

0:41:12 S3: This was in Boston.

0:41:12 John: That was our... Yeah, this was Boston, this is Dorchester. I mean, look at that green building, that's like an ocean liner or something, beautiful job. Yeah, and then there's our NSP team back in our youth in 2013, with Hunter Thompson up top there. For those of you who worked with Hunter in the NSP days, he's the Assistant Secretary for Public and Indian Housing now, so... How they fly.

[laughter]

0:41:43 John: Had a good tour there. Boston is really a great example for targeted investment, and a place like Dorchester, it takes a long time, but once you finally crest that hill, you get a whole different kind of community. And they've done some commercial area redevelopment that's also successful, so if you want to be inspired look up the city of Boston's community development programs.

0:42:21 Jennifer: Okay, great. So, moving on then, our discussion about program income transfers, and the new changes that were included in the notice.

0:42:33 S3: Well, thank you Jennifer. This is Njeri, and we wanted to talk about the changes that we made in the notice to how program income transfers will work. We talk about program income over and over again, and we know that a lot of you have it, and that may be part of the problem of getting to your line of credit funds. And as John had stated earlier, our first thought was that if we went ahead and made it easier to transfer those funds from NSP to CDBG, that we thought that that was going to be our Moses moment of parting the seas, and all of a sudden, voila, you guys would be closed out. And it didn't happen. So, we went back to the drawing board to try to figure out, what could we do to make it easier?

0:43:23 S3: So, let's just start here at the beginning. PI can be transferred from NSP to CDBG now, during, or after closeout. And let me just reiterate that, because I think that that continues to be an issue that people get stuck on. Even if you're not ready for closeout, you can still transfer your program and come to CDBG. You don't have to wait to closeout to do that. And if you are interested in doing it, you have to have a written request, and it has to be made using our, or HUD's, request template. And the written approval is required from HUD. You have to make sure that we sign off on it, we bless it, and we sign it, before you transfer the funds to CDBG. And let me repeat that fact, because that has become an issue too. You just can't say, "In my mind, I'm going to just take this pot of money and move it to IDIS." You have to make sure that you have written approval from your HUD field office before you transfer the funds.

0:44:33 S3: We don't have a deadline to go ahead and transfer the PI, so there's no rush that you have to do everything now. But we are rushing you, if you can, and if you're willing. And grantees, of course, you're not required to transfer your program income, it's just a suggestion. We know that there are a lot of reasons that some of our grantees have chosen to keep their program income within NSP, and specifically because NSP has been a great program where you could do certain things like new construction that you can't do in a CDBG program. So, some people like that. Once the PI is transferred to CDBG, you can't send it back. Once it's there, it's there. There's no coming back. So just make sure that everyone is on board with it. And funds transferred are no longer NSP. This is just a reminder, once it's transferred it will be part of CDBG and all of the CDBG requirements. Next slide.

0:45:38 S3: So, where are the updates? What did we do that's different from what we did when we first brought this as an option for our grantees? Well, one main thing that's the change to it is that instead of doing it piece by piece you can do it chunk by chunk, or you can say that we're going to do it in perpetuity. Am I saying, that right?

0:46:01 John: Perpetuity?

0:46:02 S3: Yeah. So that's the big thing. You don't have to worry about continuing to send a request each time, which I think may have been a hindrance. Now, if you're interested in doing this, you got to remember that there are several steps that you got to think about and follow. And the first is that you have to reconcile your PI and DRGR to your own records. And that's very, very important. And John alluded to that as well, that we think that there may be some PI that just hasn't made it to reconciliation yet. We're fearful there may be a lot of it. But you got to do that first.

0:46:40 S3: And once you've identified any PI on hand, you need to go ahead and make sure that you do an analysis to figure out what your LH25 set-aside requirement is. Once you've done that, you can go ahead and contact your HUD field rep to make a formal written request. And just a reminder for those who have not done this process, or if you're interested in learning more about the process, at the end of the resource slide we have a link that will take you to the different templates that you can fill out. We get that question a lot.

0:47:18 S3: So, what happens after approval? What you're going to do is you're going to cancel your PI receipts in DRGR, and you're going to receipt the NSP PI into IDIS as CDBG PI in activity two. And I want to definitely make a plug that when you do this, please try to include a note that this PI is being transferred from NSP. We did an in-depth analysis about a year ago, and it was a little scary to see that a lot of stuff wasn't labeled. So, it was hard to figure out. Even though everything is supposed to be in activity two, some stuff wasn't clear. So, I just want to make sure that people understand to label. And once you do that, it's also important that you upload your approval letter to the Action Plan Administration activity in DRGR. This is a record to show not only us, but our favorite people, and John's favorite people, the OIG, that it was approved, and this is the amount that was approved. And it will also coincide with IDIS.

0:48:30 S3: And it's also important because there's a lot of turnover that happens at the field office level. So once that person leaves, records don't always transfer the way they should be. And so instead of everyone's scrambling, this is just a way of having an insurance policy. The last way to have an insurance policy is to make sure that you have a note in your current QPR. And you want to include the date of approval, again, the amount of PI to be transferred, and the activity numbers that generated the PI.

0:49:05 S3: Next slide. Okay, so again we'll go through really quickly before and the after with this notice, what you could do before with a PI transfer. Before the notice, you had to get the one-by-one transfer and written approval from your local field office, and you had to write your written request and make sure it was approved each and every time. After the notice, you're permitted to go ahead and transfer future streams of PI to CDBG in one single HUD request. So again, you don't have to keep going back. And just a little note, that approvals granted before the notice do not provide approval for future streams. So just because you got approval that first time around doesn't mean it gives you a blank check to continue to get that future stream of PI moved to CDBG. You're going to have to go back, if this is what you want to do, and write a written request saying, "Hey, I want all my future streams to go to CDBG." So next slide.

0:50:17 Jennifer: Yeah, and I think that's a really big take-away from this, because for those who have made PI requests in the past, you were prepared to do a new one every time. And you won't have to do that anymore, except that you still have to do one more.

[laughter]

0:50:34 Jennifer: So, if you've had a past PI request approved, you're going to have to make at least one more that asks for the blanket approval to transfer all your future PI. And so, I think that's probably one of the biggest take-aways from this update to the PI transfer approvals, is just to understand that a past approval that happened before the notice does not grant you future approvals. You have to make a new request. So, don't just start throwing all your PI over into IDIS without going through that step of doing the written request and approval.

0:51:10 S3: Yep.

0:51:12 Jennifer: BecauseI know you all are excited about this.

[laughter]

0:51:15 S3: Hope so. Parting the seas again [laughter] and we can go ahead and get everyone, if they want to do it, to be able to get to that line of credit so we can help close out some folks.

0:51:30 Jennifer: Yep. So, you'll just have to do this one more request, and then you'll be set. So, it'll be good.

0:51:37 S3: Okay, so this is, again, I guess, the summarization slide for the update on the PI transfer approval. Again, it allows for a blanket approval for all future program income that you generate. Again, as we just said for probably the fourth time, sometimes you got to say it over and over again, that just because you had approval before, if you want to go ahead and make sure you can have all future program income transferred, you're going to have to go in one more time, get the request, get everything signed, so you can go ahead and wipe your hands clean and no longer have to worry about PI.

0:52:18 S3: The grantee no longer needs to make a separate request, which I just said. With the blanket approval, PI earned can be receipted directly into IDIS rather than it being recording into DRGR first, which is great because there you have... Again, you just have one step at this point. QPR narratives should still state the amount of PI earned and transferred to CDBG. As I stated before and will state again, this will save everyone a tremendous amount of trying to figure out who shot John, if anyone has... Oh, not shoot you. [laughter]

0:52:58 John: JR.

0:52:58 S3: JR. I'm sorry. Who shot JR? Okay, I did say John.

[laughter]

0:53:05 S3: When people leave, everyone just doesn't always transfer records. So this is a good way to make it easier to keep track, to make sure that in your QPR you can figure out when PI was transferred and how much. And funds not transferred to CDBG should still be receipted in DRGR. Let me repeat, any PI that's not transferred to CDBG should be receipted into DRGR.

0:53:34 Jennifer: Okay.

0:53:35 S3: Is that it for this section?

0:53:37 Jennifer: I believe so. I think this is it. And we have a bunch of questions, actually.

0:53:42 S3: Oh, okay. [chuckle]

0:53:43 Jennifer: So, this is Jacqui, I believe, how you pronounce their name. It says, "Can program income in NSP be used for demolition? If so, can it be used on a property that is owned by the grantee and in an opportunity zone?"

0:54:04 John: So, yes. The Eligible Use, D, I think, allows you to do demolition of blighted properties. So, you have to be able to make a determination that it's blighted. If it's a free-standing property, you should be able to assess the condition and describe it. If you're talking about a whole group of properties, you can make that case. These blight determinations are local. We don't have a definition of blight ourselves; we just refer to state redevelopment laws usually.

0:54:47 John: But yeah, so you can demolish that, and then it can be... You can set it up in such a way that the demolition is the end use, so that you're not as constrained in the subsequent uses, so that you could, for example, do a corner grocery or something like that, which wouldn't be eligible in NSP, but it could be eligible if you organize it correctly.

0:55:21 John: You could also follow NSP rules and require that the subsequent use meet certain criteria for benefit to low- or moderate-income people. The justification that we've always used for blighted buildings and tearing down quite a few houses, for example, is that they are benefiting a low, moderate, and middle-income area. So that's your national objective. And then, we have a policy alert from December of 2014, I think. It says land banks, but it's not really limited to land banks. And then there's one from... I can't remember. Maybe 2012. On disposition and demolition, that has a lot of the steps for how you think this through with demolition. And then, yeah, if you can get some opportunity zone funds, that's perfect.

0:56:30 Jennifer: Great. Somebody asked where they can find the program income transfer materials. I went ahead and I posted the link to the materials in the chat box, so you can access that link there. They are on the HUD Exchange. You can also just go to Google and Google "NSP PI transfers" and you'll get the main page that includes a link to the forms, as well as a link to the frequently asked questions. At the end of this presentation there is also a slide that has some resources, and one of those resources includes the PI transfer materials page. So a number of ways that you can go about accessing the information. I'll do a plug for it. It is very good, I think.

0:57:22 Jennifer: There are step-by-step instructions for how you go about doing the PI transfer, including instructions on what to do in DRGR and IDIS once you get your approval. And those step-by-step instructions include screenshots, so it's very thorough, and you have just about everything you need there to do this transfer. The template itself is already written for you, the request letter is written, you just have to fill in the blanks. So again, pretty straightforward. So those links are available in the chat, at the end of these slides, and you can just Google or use your favorite web browser to search for "NSP PI transfer" and it'll come up on the HUD Exchange. Okay, so couple other questions here. This is a question about PI transfer from Leslie, and she asks, "What CDBG year does the transferred NSPI go into?"

0:58:25 S3: Into IDIS?

0:58:27 Jennifer: Yes.

0:58:28 S3: Activity two? That's where I believe it goes.

0:58:31 John: Current year, or... Is that associated with the year, or is that just a catch-all?

0:58:38 S3: I believe it's a catch-all.

0:58:39 John: Right.

0:58:40 S3: Yeah, it's a catch-all.

0:58:41 John: It'll be added to the current years' worth of program income as far as how you approach it, and... I don't know, I think there might be one more slide. But we want to caution you that before you make this transfer, you... Yeah, here's some advantages and disadvantages.

0:59:05 S3: Okay. We stopped too early. Okay.

0:59:07 John: Yeah, so... Well, we'll finish answering this. But yeah, there are considerations, primarily, timeliness, so you don't have your balance of CDBG grant funds plus program income going over 1.5 at the end of your program year. So, in some cases, you may want to...

0:59:31 S3: Time it.

0:59:31 John: Yeah, may not want to spend it all because you can't really predict where it's going to come and when. But you could say, "Well, we're going to... We'll just do a bunch after six months and see where we stand." That gives you a little more control, there's a little more work involved though.

0:59:50 Jennifer: Do you want to take a moment to go over the advantages and disadvantages while we...

0:59:54 S3: I was going to go ahead and maybe just make sure we finish out the slides, and I think that's a good idea. So here are some advantages. Again, NSP program, it allows you to spend your remaining line of credit funds and close out your NSP grant, which is definitely an advantage to us here at headquarters, and that's the main thing that we are pushing for you guys to do. The next advantage is that with new CDBG program incomes for activities with a wider range of eligible activities, you also increase planning and admin and public service cap through the 20% admin cap on program income is subject to a one-year spending limit. So please keep that in mind. And they're most useful when there are CDBG products that can use funds relatively soon. So, if you have some projects that are kind of sitting and you're trying to figure out how are you going to close that gap, that NSP program can really come in handy.

1:00:55 Jennifer: Yeah. And your request is going to include some information about your plans for the program income, so that is something you'll have to think about.

1:01:05 S3: Right. Next slide. So of course, where there are advantages, there are disadvantages. And one that we just spoke about is that it's going to affect your balance of unexpanded CDBG funds with implications for the 1 and 1.5 timeliness test. You really need to think about how that's going to work and how that's going to affect you. I know we've been doing a lot of timeliness consultations here. So, if you are on...

1:01:37 S3: If you made that list and you have some program income that can possibly transfer, just think about it and think about, again, the best strategy, so you won't be affected. It's going to prevent the use of certain activities that are not in CDBG. Like I mentioned before, new construction is always a big one. Land banking, which you can do in NSP that you can't do in a CDBG. And probably, one of the biggest ones that a lot of our grantees really enjoy was the ability to go up to 120% AMI.

1:02:15 S3: So that could affect your decision if you want to go ahead and move over your PI to CDBG. And it may result in a CDBG substantial amendment. So, you may be required to go ahead and update how much grant income has been received and how it's going to be used in your substantial amendment. But I'm sure that's something you can work out with your field offices, so I don't see that as a really big hurdle.

1:02:44 Jennifer: Yeah, definitely. Okay, so we have some other questions on PI transfers. This is not specifically on PI transfers, but we'll take it now anyway. It says, from Kimberly, and she asked, "Is there a deadline to expend NSP funds under the new guidance before grants may be closed out without full expenditure?" I'm not exactly sure what she means by without full expenditure. But is there a deadline to expend funds before they can be closed out, before the grants can be closed?

1:03:21 S3: Technically not, but there is a cap that we have in this new notice that may kind of push things along.

1:03:29 John: Right. So, if you're spending your money and you're getting program income and you're using it for things and it's not sitting around stagnant, you're fine. You can close when you want but as our auditors have pointed out, if the funds are sitting around for two years and you don't really see the need in the communities anymore, we could cancel those funds, but we'd have to go through an informal consultation like we do for timeliness and so it's not... And you'd still have to go through the closeout so...

1:04:09 S3: I was already saying that.

[chuckle]

1:04:11 S3: Just because your line of credit may be closed does not mean you still have to go through the pain of reconciliation and making sure that whatever you have meets an eligible activity, we still have to go through all the steps regardless so...

1:04:30 John: It's not a way out.

1:04:31 S3: No, [chuckle] I didn't want to say it that way.

1:04:33 John: But I've heard higher ranking officials than myself, which isn't hard to say that currently we think there's a need everywhere, but that could change. So we're kind of getting that word out and encouraging you to spend the money. But with program income, you can close the grant if you have... If you've been able to spend down your line of credit, you can close the grant and still keep spending program income.

1:05:01 S3: Right.

1:05:02 John: There are cases where we could take money back from the line of credit, but so far, we haven't. But there have been voluntary grant reductions by the grantees that said, "Well, we can't spend this last $60,000 or whatever, and/or $4000 and so we're going to return that as part of the closeout process." But up to this point, those are voluntary.

1:05:34 Jennifer: Yeah, okay, the next question asks... This is from Lisa and she's asking, "What is the best way to determine if properties comply with LH25? Should information regarding the properties and/or residence have been recorded already in DRGR by our former NSP staff during the time that each property was being funded?" And I have some thoughts on this. [chuckle]

1:06:00 S3: Oh. Absolutely. I would say you deal with this a lot more than we do here. [chuckle]

1:06:04 John: Yeah.

1:06:05 John: [1:06:05] ____.

1:06:08 Jennifer: Yeah, so we understand that everybody... Well, not everybody but many, many NSP grantees are in the boat of having inherited programs from previous staff. And you're just trying to work to close the grant, but maybe you weren't even around when these things were being built and sold and leased, and so it is hard to know where things stand. And the best way to do that is to begin what we've been encouraging folks to do as part of closeout preparation and that's to reconcile your DRGR data. This is obviously harder if you are not the person who ran the program but presumably your record, your internal records are in good shape.

1:07:02 Jennifer: And that's not always where we start with reconciliation. And so, to answer the question, "Should the information already be in DRGR?" Yes, it should be. That doesn't necessarily mean that it is and so what we have folks do as they prepare for closeout and we just did a reconciliation webinar a few weeks ago, so you can go to the HUD exchange and get the slides from that webinar. There are other reconciliation webinars that we've done in the past. We talked about this topic a lot so there is a lot of information out there and what you need to do to reconcile but that would be where you start.

1:07:45 Jennifer: So, you're going to take your internal records and you're going to compare them to the data that's in DRGR and you're going to look through your records, compare it to the reports in MicroStrategy. There are some key reports like performance report 1, performance report 6, performance report 3 and 3B, those are for addresses. Your financial... Sorry, your financial report 7B. Financial report 7B is a very good report for figuring out things like your LH25 compliance. But really, the first thing you want to do is do a full reconciliation because you may find some properties that weren't fully reported in DRGR. You may find some program income receipts and vouchers that weren't fully recorded in DRGR. So, you want to make sure that all of your information is in the system to really be able to calculate your LH25 for compliance.

1:08:51 Jennifer: Now that's said, you can go ahead and do that calculation now and if you're in good shape, then you're probably going to be fine when your reconciliation is done. And the best way to do that is pull financial report 7B and look at your total dispersed. You can look at it by grant funds and by PI or as the grant funds plus PI combined. To close your grant, you have to meet the LH25 requirement for the grant fund portion. If you haven't quite met it yet on the PI portion, you can have a little three-year homework extension, we like to call it, where you can meet the LH25 requirement for that, just that PI portion. But in order to close your grant you have to meet it on your grant amount.

1:09:42 Jennifer: So, say your grant amount was a million dollars. You're going to have to demonstrate that $250,000 was spent on households that are at or below 50% AMI. And then if you had another $100,000 in PI, then 25% of that would have needed to be spent on LH25 activities as well but if you haven't done that yet, you can get a little bit of a homework extension on that PI portion. But your financial report 7B is going to have your total dispersed by grant funds and by program income and so you can easily do the calculations using your grant amount and then your total PI received and just calculating 25% of those numbers to see what you needed to reach. So that's the best way to do the calculations.

1:10:36 Jennifer: If you've come up short, you might want to look at your LMMI activities to see if there are any LH25 units hanging out in those LMMI activities, and there's actually DRDR data cleanup report in MicroStrategy. If you go to the NFP closeout report folder, if you open that there are some data cleanup reports and it'll flag for you if you have any low-income units in LMMI activities. And if you do and you're short in reaching your LH25 requirement, then you can revive a voucher and move beneficiaries over to an LH25 activity to boost the amount... Well, you have spent that amount but to show HUD that you've spent that amount and those beneficiaries qualified as LH25 beneficiaries. So that's a lot.

1:11:34 Jennifer: I would say that if you have any concerns about meeting the LH25 requirement, this might be a good place to get technical assistance. At the end of the presentation we have some information on how you can get TA, and so if you're kind of struggling to either figure out, "Did I meet my requirement or how can I meet it?" That might be a good place to ask for some can help. And Jerry or John did you have anything to add there?

1:12:07 S3: No, I didn't.

1:12:08 John: No, I mean, you can ask for help though.

1:12:11 S3: Yeah of course...

1:12:13 Jennifer: Yeah, this can get tricky, particularly if you haven't met your LH25 requirement and you may have to figure out ways to do that or you may just have to look deeper into your DRGR reporting and make sure that you've reported everything properly. I have worked with grantees who... They actually did meet the requirement but it wasn't showing that way in DRGR because they had vouchered things under the wrong activities and so we had to go in and just do some cleanup with revising vouchers, and then they were able to demonstrate that they met it. So that is a good place to ask for help.

1:12:51 John: Yeah, and the way to do that is to write into Njeri at nsp-questions@hud.gov. We can send through the telephone or through your computer experts to go through your DRGR with you and kind of help you figure out where things should be and where they might be. They can't do it for you, but they can guide you and hopefully make it easier. So those former employees, those former staff...

[laughter]

[overlapping conversation]

1:13:26 Jennifer: Okay, the next question is from Sean and they ask, "Once PI is transferred into CDBG under Activity 2, must expenditures be spent under Activity 2?"

1:13:40 S3: Well, they still... They have to follow the CDBG rules, so must they be spent under Activity 2?

1:13:48 John: No, I think Activity 2 is just a...

1:13:50 S3: A place, a catch-all for anything.

1:13:53 John: Yeah, it's just a location, so then you allocate them to specific activities.

1:13:58 Jennifer: Okay, and Rochelle had a similar question to our LH25 question asking if after they calculate their LH25 compliance, if they figure out that they haven't met it what do they do, what are the ramifications? And so, as I said, if DRGR is showing that you haven't met your LH25 compliance, then look to your LMMI activities and just do a really good solid reconciliation to make sure that there aren't any LH25 beneficiaries hiding out in those LMMI activities that you could move the costs of those units over to LH25 activities. So that's one way to do it, but if you have not done it and you've done the reconciliation and you can't find any more LH25 expenditures, John and then Jerry, how would you recommend that they would proceed with that and what are their ramifications if they don't meet it?

1:15:03 John: Well, I think the first thing is that if you still have some program income then you would dedicate essentially all that to make sure that you meet that number. It is a statutory requirement so we can't really forgive it but... And I don't know...

1:15:24 S3: We haven't had... I haven't seen the problem yet, but I think we can also ask for money back.

1:15:28 John: Yeah, we could...

1:15:30 S3: Non-federal funds.

1:15:30 John: We could ask you to return the amount that... Reduce your grant to the amount that equals the denominator of the 25% that you've spent on it. Hopefully that's not going to happen. There may be ways... I don't know if there's ways to make it up with CDBG funds, for example. We haven't really gone there, but... So yeah, really I think program income is your best hope, [1:16:07] ____ says there are often loose ends that have slipped through that might be able to bring you back, but then I think you need to talk to us if none of those works.

1:16:24 Jennifer: Great, so John has a question. He asks, "Do waiver of PI use restrictions... " He's talking about five years after closeout, "... Apply to members of a consortium who are non-profit entities whether the NSP2 grantee, is itself or non-profit or whether it's an entitlement community?" So, we're talking about members of a consortium.

1:16:51 John: Only consortia that are headed by non-profits are eligible for that exemption because they don't have a place to transfer program income to. So, there's a different rule. There's 56 NSP2 grantees, 14 of them are in that category of being a headed by a non-profit. So we're not talking about a very big universe but for those grantees and then there's a couple that apply to NSP3 grantees that aren't entitlements but it's basically the same rule is that program income that is earned before closeout is subject all NSP rules and so one more reason to close it. NSP program income that is earned between one and five years after closeout must only meet a national objective and an eligible activity. So, there aren't any Davis-Bacon, there isn't even any environmental review in that five-year period. So that's for program income earned during that five-year period. Then after that five-year period, if you're still earning program income, then it becomes miscellaneous revenue, so you can use that for whatever. Yeah.

1:18:21 Jennifer: Okay, so the next question is from Rob and he asks, "Is there posted guidance on receiving NSPPI in IDIS step-by-step?" Yes, there is. As I mentioned on the how-to exchange there's a whole page about PI transfers and there's a lot of information there, so I'll point you in the right direction. There is a file that is called program income transfer instructions and so that is the very large long document with all the instructions that makes it look more complicated than it really is because it goes into very detailed steps about how you do this including screenshots and if you go to that file... PI transfer instruction, starting on page 10, there are the IDIS instructions.

1:19:11 Jennifer: So that's where it'll show you how to receipt the funds into IDIS, and it includes screenshots and pretty much I think everything you'd need to know to do that. Okay, and we had a question about target areas. Let me go back to that. Okay. Question they asked it up in the chat box so I have to go back up and ask, see where that question was. Okay. Shauna asked, "Can the new target areas be used for all of the same activities for example, acquisition, rehab, etcetera?"

1:20:02 John: Yes, yeah, it's just a different area and it's all the same NSP rules.

1:20:10 Jennifer: Now, if you go into a new target area and you plan to do something that was already contemplated in your action plan, then I would suspect that they may need to do a substantial amendment and go through that process. Is that correct?

1:20:25 S3: Yeah, that's correct.

1:20:26 John: Yeah but I mean, if they're going through, if they're doing an amendment, they're going through... If they're doing an expansion, they're going through an amendment anyway. So just do it all, all at once if you can.

1:20:40 Jennifer: Yeah. Exactly. Good time to update your action plan and make sure it includes all the things that you plan to do in those new target areas. Alright. And then Matt asked, "Are we allowed to move PI into CDBG, and then continue to use the NSP entitlement balance for NSP expenditures? It wouldn't be considered an audit issue of drawing entitlement before PI?"

1:21:07 John: Well, once you transfer and if it is CDBG program income, so you don't get to treat it as NSP, it's all CDBG all the time.

1:21:21 Jennifer: Yep. So, once you move your PI over to CDBG, it's as if you don't have any NSPPI anymore. So, you just got right into spending your entitlement funds and that's actually the purpose of the transfer. It was designed to assist grantees in accessing that line of credit because grantees who earned a lot of program income were having trouble getting to the line of credit, which obviously is going to delay their ability to close their grant. And so that is in fact, the whole point of the PI transfer is to allow you to get to those NSP line of credit funds and start spending them.

1:22:05 Jennifer: Okay, and Donna asked, "If our NSP has been closed for three years and if we would receive PIs from a sale, would it be necessary to reopen our DRGR or can we deposit to IDIS, noting receipt and request letter of approval?" So, do you want to take this, John and Jerry or did you want me to say what I think?

1:22:29 John: Go ahead.

1:22:29 Jennifer: With respect to DRGR at least. So, and Jerry will give us anything else we need to know on the policy side but with respect to DRGR, you're not going to need to... First let me say, you would need to have had an PI transfer approval in place. If that approval is in place, then you can go ahead and receipt right into IDIS. And when I say in place, I mean in place after the date of the most recent notice. So basically, even if you had a PI transfer request approved in the past, and you earn PI today that you would like to move over, you're going to need to make a new request to move that PI. So, it's a good idea to go ahead and make that request, get that approval in place. If you know you're a grantee, that's going to be earning future PI, like you know you're earning it and you have a little bit to transfer now, just go ahead and make that request so that your future transfers are easier. So, you'd make that request now, once you get your approval, the PI that you have can be transferred directly into IDIS, it doesn't have to go into DRGR first.

1:23:48 Jennifer: And in fact, HUD allows you to have a little bit of PI on hand that has not yet been receipted in DRGR and you make your PI transfer request, there is a spot for that type of PI on hand in the template. So, the point though, is that you really need to have that request in place so that you don't have to receipt into DRGR first. And then the other note I would make though, is that even if you've closed your grant, you are still reporting annually in DRGR. And so, you're still tracking your PI that you're receiving for NSP initially on your own records. You're not making receipts into DRGR but you're keeping a running tally of what you've receipted through NSP and then transferring over to CDBG. So, when it comes time to do your annual report for NSP post-closeout, you're going to stay in your overall progress narrative in that Annual Performance Report. We received $200,000 in NSP funds and those funds are transferred to CDBG. Okay? So DRGR still has a little bit of a role but it's not quite the same because if you have secured that transfer approval after the notice, after the date of the notice that we just talked about, then you can go ahead and just receipt it right into IDIS. And Jerry, did I miss anything or...

1:25:29 John: Well, so if they didn't have it in place at that point, would they be able to make the transfer request three years from now, or something like that? And set it up? I don't see why.

1:25:41 S3: I would say I believe they can.

1:25:43 Jennifer: Sure. You can make your PI transfer request any time. You don't have to make it now. You can wait three years to make it, but if you wait three years and during those three years you are earning NSP PI, then you're going to have to receipt that into DRGR. And you can continue receipting PI into DRGR, even for activities that are marked complete. So, everyone knows, I hope now, that when you close your grants, when you go through close-out, you're going to mark all your activities in DRGR as completed.

1:26:22 Jennifer: If those activities earn PI after close out, you can still make a PI receipt to those completed activities. If you want to use the PI for NSP after close out, then you have to set up new activities to use it on NSP activities. But if you just need to receipt PI on your old pre-close out activities you can do that still in DRGR. And you will need to if you're not going to transfer it.

1:26:58 S3: Jennifer, can we just finish up the last slides before we finish up questions.

1:27:03 Jennifer: Yes, absolutely, I think we may be near the end of our questions anyway, but absolutely. Oh, we have some pictures again, that's right.

[overlapping conversation]

1:27:15 John: Yeah, they did some really nice projects. The one on the right is near a big medical complex there, so they were able to... With the income limits, they were selling some of the units to younger doctors and things like that, to kind of build up the economic variety of the neighborhood. The building on the left is obviously new construction. I think it was senior, but I can't remember now.

1:27:46 S3: I didn't go on that trip.

1:27:46 John: Yeah. You weren't on that trip, okay.

1:27:48 Jennifer: Next slide. Very good.

1:27:54 S3: Okay, so with all good news, there's always something that you know you got to pay for. And essentially, and the new notice again, we kind of alluded to this a little earlier that what can happen is that there can be a cancellation of any unused NSP funds. So, under 31 USC 1555, if a grantee has failed to draw funds from their line of credit for two consecutive fiscal years, HUD does have the ability to determine that the NSP funds no longer exist.

1:28:33 S3: The grantee's remaining line of credit funds may be cancelled. And as we said before, there is a process that has to have... The painful process that we have to go through here where phone calls have to be set up and people get to plead their case and the determination is made.

1:28:54 S3: And if that determination is made that we're going to cancel your funds, you still have to go through the close out process, which means you still have to reconcile your internal records and you still have to make sure that you meet eligibility requirements. Everything that would happen in a normal close out would have to still happen if your line of credit... I'm sorry, your funds are cancelled.

1:29:16 John: This only applies to line of credit funds, not program income. We can't... We're not coming after that.

1:29:23 S3: So just keep this in mind as, again, we alluded to before, John's best friends in the OIG every year are dinging specifically 16 grantees out there because they're watching those line of credit funds. And if they don't see a change in the amount, they're asking us questions and asking us why and we no longer can be the barrier to take those bullets anymore. You got to really start to move those funds if you haven't. Next slide.

1:30:00 Jennifer: Pretty picture.

1:30:06 John: The Dunbar Hotel in Los Angeles, a really historic building with historic uses that stretch back into the 1920s. Billie Holiday played there, Duke Ellington in the lounge, so it's a very famous place. And that was restored with NSP funds, and I think maybe tax credit funds too. Into, I believe, it was 82 senior citizen units.

1:30:39 Jennifer: Beautiful. Yeah. Someone had a question about the Camden property and they asked on this new construction property here on the left, on Camden. Can you speak to how those funds were used for the new construction?

1:30:57 John: Not really off the top of my head. As with the Dunbar, we came into a lot of tax credit deals that were stalled for lack of financing back 8-10 years ago, and so we did... We ended up doing a lot more multi-family than we would have thought. And in many cases though they were... There were existing structures that were foreclosed upon. So, I'm guessing that this is a Low-Income Housing Tax Credit project that we went in on. Typically, grantees didn't have enough money to build a building like that, just with NSP money.

1:31:46 Jennifer: Great. Okay. I think that may be the end of our questions. Let me just double check the chat here. Make sure no one else wrote in above. Nope. So that will give you some resources. And if you still have questions, now's your chance, it's your last chance to ask questions of John before he goes off to enjoy amazing travels and fun time.

[overlapping conversation]

1:32:25 Jennifer: So, for our resources, we have a link here to the federal register notice. If you'd like to read the exact language in the notice, you can access it. It is posted to the HUD exchange at that link. We also gave you a link for information on opportunity zones. If that's sort of a new concept to you all or you want to learn more about it. That is the page on the IRS website that gives you some background on opportunity zones. And then finally, those Program Income transfer materials that I talked about, and that I posted in the chat as well, are here on this slide. As I mentioned, there's a lot of information there. There's probably half a dozen or more links on Program Income transfer. And so, I would probably point you to the file that's called Program Income transfer instructions. That's going to give you your step by step. And then also the frequently asked question document is also very helpful. So, I would say those are probably my two favorites, out of all of those, if you are trying to figure out where to jump in first.

1:33:39 Jennifer: We also have some standard resources here on the HUD exchange. There's a whole NSP page. That page has recently been updated. And there was actually a webinar to walk folks through how the new page works. It gives you a lot of basic information about the program. If you all are new to NSP and inheriting information, or inheriting the job closing out the grant, you can get some good basic, but there are boatloads of resources on more advanced programmatic tech questions as well. And so, you can really dig into this page and get some good resources here. There's also a whole section just on closed out and a way that you can kind of walk through some questions to see if you're ready to close out and then access resources along that path to help you get there.

1:34:40 Jennifer: There is an NSP close out guide and the NSP close out guide was finalized in 2014. So, it's having a half decade birthday this year, I guess. But it has held up pretty good with the test of time. There is everything you need to know about NSP close out is outlined in that guide. The only thing that may be a little bit different today is sort of the timeline for how you close your grants. It's sort of been streamlined in some ways and chilled offices kind of customize it for their grantees, but with respect to the requirements of close out, it is still true to the way we do things. And so, this is a great way place to start with NSP close out information. Also, a lot of really great photographs in that guide. I think we made it pretty user friendly when we wrote that. So, check that out. If you're working towards close out. And then the other thing I would note about the guide is at the back of that guide, there are annotated close out forms.

1:35:52 Jennifer: So, if you are getting ready to close your grant and you've received your close out package, and you're like, "I don't even know, what is this question asking? How should I answer this question?" on the close out checklist, for instance, there is a whole annotated close out checklist that really describes what HUD looking for, for each question. And then there's the webinars for NSP has been plentiful. They give you a lot of really great background. And as I mentioned before, there have been numerous reconciliation webinars and close out preparation webinars. So most recently, we did one just about a month ago. There have been lots more before that. So, if you are getting ready to close your grants, those are great places to start as well.

1:36:45 Jennifer: And then finally, we have some TA type resources for you. Everybody knows you can't close your grant without DRGR, you can't really run your program without DRGR, but once you get to close out, you're really going to become good friends with DRGR. And so, there is a whole DRGR resources page, it's wonderful. There's lots of great information and tools on that page that can help you. There is also an ask a question resource. And so, if you have questions, either NSP policy questions or DRGR technical questions, you can submit and ask a question through the HUD exchange. You're just going to go to hudexchange.info.

1:37:35 Jennifer: And you're going to, you can do a search for AAQ, but you're going to go to the get assistance page essentially and you can submit a question to your pool, either NSP policy or DRGR for technical things, and then you'll get a response to your questions within a few days. And it's a really great way to get some sort of on the fly help.

1:38:00 Jennifer: And then finally, the NSP mailbox is NSP.questions@hud.gov and that's that mailbox that John referenced earlier in the presentation where you can write in and then Jerry will get your email and you can ask for help. And so, the NSP team has been so, so generous and helpful to grantees in all things that they need, whether it's programmatic, trying to figure out how to spend your money, trying to figure out how to meet that LH25 requirement, getting ready for close-out, cleaning up your DRGR.

1:38:36 Jennifer: There are lots of types of technical assistance out there. We haven't mentioned it yet in this webinar, but one of the great GRTA options for NSP grantees is something called Office Hours, and in DRGR Office Hours for NSP grantees, if you are approved to have them and you start that request through this NSP. Questions email box. If you're approved, you get up to five hours of TA with a DRGR expert. And so, this is a great way to get you positioned to start closing out your grants. A lot of grantees don't need more than a couple hours of TA to really get on their way to close out their grants and so this is definitely a good resource. There are other types of more in-depth TA, if your situation warrants it as well. So that is a important resource to know about. And then... [chuckle]

1:39:32 John: Is it your final question? No, John will not be a consultant.

[chuckle]

1:39:45 John: You have other friends to answer your questions, but... Yeah, it's been a great experience. So, for those of you who are still on. Thanks for hanging in there over the years, and, if you're new to it, don't give up. Wait a couple of years.

[laughter]

[overlapping conversation]

1:40:10 John: Yeah that's all I want to say.

1:40:11 Jennifer: Okay, well, I'd just like to say to John, thank you so much for all you've done for NSP and for the grantees. It's been a crazy ride. And you've been such a great leader, and, you know, so thoughtful and creative in helping the grantees. And I know I can speak for many, many of them that I've worked with over the years in saying that they're very grateful for you and everything you've done, so thank you. And certainly, this is a well-deserved retirement. [chuckle]

1:40:41 John: Yes, thanks. Well, crazy rides need crazy leaders.

[laughter]

1:40:54 S3: We learned well.

1:40:57 Jennifer: We're going to miss you. Enjoy your happy hour tonight, and we'll see everybody again on the next NSP webinar. Thank you for joining us and have a great day.

1:41:08 S?: Okay, thank you.

1:41:11 S?: We're paying you top-dollar. I bet, oh I bet. Oh I bet.

1:41:14 S?: Bye.

[overlapping conversation]

1:41:15 Jennifer: Bye bye everyone.