NSP Webinar – Long-Term Rental II
Tuesday, December 5, 2017
2:00-4:00pm EST

Jennifer: Thank you, Sandy. Hello, and welcome, everyone, to today's webinar. This is Part II of Long Term Rental Oversight for NSP projects. This is, as I mentioned, part of a two-part series, and if you're interested in finding the first part, you can look to the HUD Resource Exchange for the first part of this series, which was delivered on November 14th. The slides and the recording of that session can be found on the Resource Exchange for future reference.

This webinar is for all NSP grantees and their affiliates, and it is part of an ongoing series of webinars that are designed to provide programmatic guidance to grantees, particularly as they work towards closing their NSP grants. So be sure to sign up for the NSP mailing list on the HUD Exchange if you haven't done that yet, so that you get notices of future webinars that will be coming up in the next few months.

Today's webinar is being recorded, and an archive will be created on the HUD Exchange. The archive will include the audio-visual recording, a pdf of the presentation, slides, and a written transcript. And, as Sandy noted, if you do need to access the presentation slides today, you can find a link in the chat box on the right-hand panel of your screen. If you click on that link, it will take you to the HUD Exchange, and you may need to log in, but you should be able to access the slides there if you'd like to follow along on the slides rather than here within WebEx.

Okay. And so, joining us today from HUD we have Sarah Ciampi from the HUD Chicago field office as our main presenter today. We also, from headquarters, have John Laswick and Njeri Santana, Larry Reyes, and Marilee Hanson. And now, I'll take a moment to let anyone from headquarters say a few words if they'd like. John, was there anything you wanted to add today? You may need to unmute your line. I'm not hearing anything, so I think I'll go ahead and hand this over to Sarah who can walk us through the different parts of our agenda today, and we've real treats in store for you all because we have some special exercises that Sarah's going to share with us to help us on our journey through our NSP rental programs.

Sarah: Great. Thank you so much, Jennifer, and good morning to some of you out west, and good afternoon to everybody else. Thanks for joining us today for Part II. As Jennifer mentioned, we previously addressed some of the basics of NSP rental, and also a little bit more in depth on requirements, and that was in Part I. And today is really focusing on the implementation of those requirements we discussed, so I encourage you, if you weren't able to attend the Part I session, to go ahead and check that out on the HUD Exchange.

So today we're really going to go more in depth into our long-term rental oversight requirements, but also how to achieve compliance with long term rental oversight, and then some actual real-world applications and discuss troubled projects. So we'll be going through a lot on monitoring, and as Jennifer sort of teased, I have a demonstration today of some tracking tools and tools that you can provide to your owners to help you with your monitor requirements, and we will actually be making those available for you use after today's webinar. So stay tuned for that.

And then, we also just want to hear from you and the questions, particularly the poll section, but definitely for question/answer. If there are some monitoring issues that you've been having as you've been going along monitoring, or maybe some tips and tricks that you would like to share with folks, and then if you have any troubled project issues that you would like to discuss, please send those in in the question box. We will be having a couple of breaks for questions today, and of course, we'll try and get to all of the questions that we can.

So with that, I'm going ahead and getting us started. We're going to a quick review just because I wanted to touch on some questions that came up with the previous presentation. Jennifer, I need control of this live.

Jennifer: You should have it.

Sarah: Now I do. All right. Thanks. All right. So just as a reminder, there are three different critical enforcements pieces that HUD requires of you as grantees to ensure long term compliance with NSP. So the period of affordability is our predominant one seen here on this slide. Just a reminder, your NSP investment per each unit, much like the HOME Program because we refer the HOME as a safe harbor and minimum standard where some of our NSP elements is, in fact, how we determine the period of affordability in that compliance term.

We're also looking at rent, so the rent that is determined and how you're charging rents over time, and then income targeting. So what incomes did you establish for the project, but particularly, we're looking at that LH25 percent set aside, or the low-income housing requirement. So just a quick reminder on that, your required that 25 percent of your NSP grant funds and your program income are used in the development of the NSP units that will benefit those at 50 percent of area median income or less. And we'll talk a little bit more in depth on how we achieve that.

A few questions came up on the last webinar on the NSP rent requirement, so we quickly wanted to do a review on that. As a reminder, the NSP program requires that in your action plans, so your substantial amendments, that you are defining how you determine rent. Most folks have identified HOME as the means of determining rent for their NSP units. That's fine, but you need to further define what you mean by what you're utilizing under the HOME Program. It's not sufficient to just say we defer to Part 92, and that be all that you state in your action plan. So I encourage everyone to take the time to take a look at what specific language they have in their action plan amendment and how they've defined the rent.

Some of the particular items that you need to pay attention to when defining rent – if you're using that HOME definition – is how you're looking at defining the rent versus a high HOME unit and a low HOME unit because in NSP we actually don't have high HOME and low HOME units. That is HOME Program terminology. So low HOME rent is typically what we see folks applying for that 50 percent AMI toward the 25 percent set aside because that seems to be an easy basis for them in order to calculate those LH 25 rents. That's fine, but you have to make sure that you're actually utilizing the HUD HOME definition and what part of that definition you're prepared to utilize.

I want to make a clear statement because we had some confusion last session that the 30 percent income qualifier is not based just on every single tenant that comes in the door. That income – that is not a rent definition that you can use in your action plan. HUD defines the low HOME as particularly a 50 percent of AMI level related to 30 percent of what an AMI in that particular area would be. And that's why we publish those high HOME and low HOME rents. On the high HOME side, HUD is actually calculating that the 30 percent of adjusted income of a family whose annual income equals 65 percent of area median income. A lot of times folks just refer to those as the 60 percent units because often time we're used to using tax credits and HOME together or tax credit terminology.

So, make sure that you've made those clear distinctions in your amendment definition on how you're prepared to utilize the HOME definition for that program, but again, we don't use the low HOME and high HOME rent terminology necessarily in our NSP program. Speaking of the low-income housing tax credit program, or LIHTC, as you see on the slide here, some folks have deferred to the state tax credit agency definitions for rent. That is also totally fine. You can also use local market conditions as long as you're able to satisfy, in general, the rent requirements. And you can document that these, in fact, are what our local rent standards should be, and this would achieve 30 percent of a 50 percent AMI tenant, for example, if you're looking at the LH25 requirement.

So it's really important that, again, you go ahead and take a look at your definition in your action plan, how you've stated it, and if you do have some questions or concerns about that, we really encourage you to reach out to your committee planning and development representative. They can help you take a look at your definition a little bit more closely if you do have some concerns. But again, you are the folks that are defining rent. We don't define the rent for you. What we do require, though, is that you have the rent definition, and that also that definition pays attention to the rent reasonableness act, meaning that the rents that you're looking at when you're underwriting a project and the rents that will be charged are actually reasonable and will ensure that we're not seeing overly subsidized projects either. We will be talking a little bit later about the implications of different rent determinations and rent definitions and how you set up your project based on your underwriting.

Another couple other considerations for your rent definition, your rent requirements, you need to make sure that utility allowances are factored in to your rent, and we will talk about utility allowances a little bit later today during our exercise. But it's really important to remember that utility allowances are subtracted from what you've determined the maximum rent to be for the project, or the different rents if you have different income targeted categories. One thing that we would suggest you do – this is not a requirement, but again, a highly suggested idea - would be to actually issue a rent schedule to each of your property owners and managers on an annual basis, so that they're aware of what the actual maximum rent should be for the units that you have at the project. That's an effective means of maintaining control of the rents, but also so they're aware of the rents that should be charged.

Another reminder, it you have an NSP project where you have NSP units but there's also multiple funders in that particular projects, they may also want to just defer to other entities and they forget about your rents, or they feel more comfortable that they have just one rent definition, and one rent being charged across the board. You're responsible as the grantee to make sure that the rents at that project for your designated units are appropriate. So those are conversations you need to have with other funders, but also that they property manager is aware that you do have approval authority for those rents as well. But please do keep that in mind.

Another quick item we wanted to review is leases. So it is really important that all of your NSP projects have leases. A couple questions came up from the last webinar about leases and lease terms, and again, we defer to the HOME Program requirement of leases being required, and we do have some minimum items that should be in there such as governing the term. It should be a minimum of one year unless otherwise negotiated, and how leases should be renewable, the terms for termination, and then making sure that we don't have some of those prohibitive in there is also pretty important to ensuring tenant protections, but also protections for the owners.

You also want to make sure that the leases actually states the rents, and have dates defining the lease period. So that seems to be a common finding that some of you folks have shared with us that you're seeing with leases. And we did have a couple questions of if you had already put a project in place and you know that they're having lease issues, what do you do? You need to have that property owner make sure that they amend the lease with you. So it's not something that once the project goes in place you – it's not an, oh well unfortunately, we need to make sure that we get that lease in order. But the agreements that you have in place should really govern making sure you have the ability to cap leases, monitor leases, and make lease requirements change when necessary.

With that, I really want to jump into today's topics. We're going to start with a discussion on units and inspections, and then really just into monitoring and troubled topics which is the bulk of this Part II series. But one thing we wanted to talk about today is NSP is a little bit different than most of our other HUD programs, so particularly HUD in that we have some nuances as far as what the standards are but also our inspection requirements. So we want to talk about requirements versus suggestions because we want to make sure that we're helping you maintain your NSP assets for your community for the long term, not just necessarily for the period of affordability.

So all the projects under the NSP I, II, and III grants, we do require that they comply with the state codes, your building codes, any local codes that you have or any other requirements that you may have as a jurisdiction. You can impose stricter requirements, and often times grantees, especially those that have a HOME Program, are going to just defer to your HOME standards, and provide those as your construction and rehab standards, but then also your long-term standards for property upkeep and maintenance. So that's fine, you're more than able to do that under NSP. The only issue that we had was with NSP III where we actually introduced some of the other energy and conservation standards that were required, and you can find information on that in the bridge notice that was made available.

And then, for all of our grants we require you need to make sure that you're paying attention to the lead based paint applicability. And if you need more information on that, you can refer to 24CFR Part 35, but most of you are, by now, familiar with those requirements. As far as lead for ongoing, we have the lead inspections that's to be done on units that we're encouraging on a regular basis, but again, NSP only requires an initial project completion occupancy inspection.

We highly encourage that you're inspecting your projects a little bit more often than just the initial onset. Why do we say that? Well, it's really important that this asset is maintained for your community, for the long term, but also the period of affordability. And if we do have issues related to property maintenance, upkeep, and inspection, that contributes to tenant issues, but it also contributes to operating issues and physical costs that are going to hurt our projects' bottom line, and ultimately could end up being a troubled project. But not to mention, we just want to make sure that our tenants continue to be able to live in safe, decent, affordable housing, and so inspection help us maintain that minimum standard.

The other reason is we have this period affordability, so any failure to a project during the period affordability is ultimately the grantees responsibility. And so to avoid that, a really good start would be a physical inspection on a somewhat regular basis, and we'll talk a little bit more about how we can achieve that later. But that's where you're actually checking in with the project, you're seeing conditions at the project, and the physical nature of the project is often telling of other nature of the project such as financial conditions, how a project is being operated and maintained, how tenants are able to utilize the project, but also are tenant complaints being addressed and whatnot. So it's really important that you make a consideration on how you would like to treat your ongoing inspections, whether you want to do them or not. But again, the NSP program only requires an initial inspection. We really highly recommend though, for the host of reason I just listed, and some more we'll talk about later, that you consider doing some other ongoing inspections.

To help you with that, we wanted to identify how you can go about setting yourself up for success with inspections. We do require that you have some policy and procedure in place to conduct your inspections. That's part of your overall requirement in order to maintain your investment for the period affordability and that policy and procedure for long term compliance and monitoring. What you should make a consideration early on when you're establishing what your inspection procedures will be, or if you have them, maybe you need to take another look at them again. But really, what is the different rules for completing the inspections? Are you having internal staff complete these inspections? If you're a local jurisdiction, do you have the ability to do that? Or do you need to consider outsourcing it? Sometimes if you have shared funding in a particular project, maybe it makes sense to rely on another entity to complete other ongoing inspections, or you can pay to have an inspection service or whatnot to conduct inspections for you.

So there's a host of ways to do that and ways to tap into other inspections that are being completed. One discussion that I had with a grantee that is looking at a permanent supported housing project that's actually being built with NSP funds is that a lot of our permanent support housing providers are doing annual inspections. So how can they tap into that inspection as a way to help them keep tabs on the project? So we really encourage you to get creative, but certainly this is something you want to formulate into your policies and procedures.

You also should probably come up with some good standard forms and checklists that will assist you. We have some examples on the HUD Exchange through all of our different programs of forms and checklists. One basic that a lot of folk's use is the HQS inspection checklist. That's perfectly sufficient. But your initial inspection really needs to cover all those construction pieces but also the habitability and codes of the project at onset. And then ongoing you're really looking at the code compliance and habitability going forward. So a checklist will help you go through different room by room in the particular units, the common areas of the units, all the different parts of a project that you need to pay attention to and give some consideration.

We'll talk a little bit later about tracking, but I wanted to mention the concept of an inspection schedule. So some folks like to do their monitoring inspections all at the same time for particular projects, and they come up with a methodology to do that which we'll discuss. But I think it's really great idea if you have an inspection schedule set up for particular projects, and that doesn't necessarily always have to be done tangentially with monitoring. But maybe have a couple times a year where you're going out to particular projects, and you're doing those inspections. This way you can schedule them when you have some downtime. I know we don't all have downtime ever, but when you have some time when you can go out and conduct a series of inspections it might be a more time efficient use to look at all the different projects that you have in your portfolio. Or maybe you consider an inspection strategy based on the types of units that you have in your portfolio. So if you have a lot of scattered site units versus multifamily building type of structures in your rental portfolio, you consider doing an inspection schedule a little bit differently on those.

When we mention inspections, it's not to say that you're inspecting every single unit every single time, it's that you're making sure that you're taking a good random sampling of those units. When you do your initial inspections, yes, you should be going through the entire building pretty much at the onset of construction and leasing, but then definitely you should be – I encourage folks to do an early check in as well as units are getting leased up. It's a good time for you to also go out and meet the tenants of those units, and really get a feel for what's going on at the project.

Another really good – and I found with my grantees – and effective strategy is to rely on the ownership and management to do inspections. So if you put in your agreements, for example, that they're required to do their own self-inspections, and again, it's not necessarily an NSP requirement, but you can make that a requirement, or some form of verification that they're certifying that they are, in fact, inspecting their project or maintaining their project in a certain condition. That's helpful for you because those are reports and inspection documents that you can request in a desk monitoring manner, for example. So you're not necessarily going on to the project, but you're seeing that they're keeping up on their units. Some of your more sophisticated property management companies will already be doing that, so you can tap into that, and maybe that serves as an example for other projects in your portfolio, but that's certainly a good strategy that pretty time effective, and also doesn't really cost you anything to do. As we know, our admin resources are somewhat limited.

Now we're going to jump into everyone's favorite topic, and mine too, of today – the monitoring. So we require that you're monitoring your projects. That's the NSP basic requirement. So today we'll talk about the policy and procedure requirements and what you can really do to make an effective policy and procedure. And then, we have some system and tracking discussion that we'll have, and that's the exercise demonstration that I spoke of. So a little bit later today I'll be showing you a very simple tracking system for those of you that don’t have the funds or access to super sophisticated electronic tracking systems. Just something simple you can build in Excel or Access, and even from small to large jurisdictions you can use something very similar. And then also some annual reporting requirements that you can make as part of your monitoring strategy. We'll talk through that, and then I will show you a sample form that has been conceived through several different grantees and several different iterations, and now is use by some grantees here in the local Chicago area.

At HUD, the minimum requirement we have is that you have, we say, specifically a plan or a policy in place in order to conduct long term rental compliance oversight. I'm going to go back to the reminder again of the big three that we're always looking at. We're looking at that you have a means of maintaining this project for the period of affordability, so whatever that period of affordability term was determined to be, whether it be 5 to 20 years, that the rents being charged at the project are correct and proper. So if you had specific income targeting that you're targeting those rent levels, but more importantly for those 25 percent set aside units, those are for the life of the project. So if you, for example, through your underwriting and cost allocation and whatnot determined that 5 NSP units at a particular project were going to be LH25 units, those units must be rented at folks with 50 percent of area median income or less for the term of the project, and the rent being charged for those units must match the rent definition that you established in your action plan.

Which leads me to the third item, the income targeting. But again, we're looking at that LH25 requirement when it's applicable, but then we're also looking at the income targeting that you set up initially with that project. So those are the three big elements that are the driving force behind your long-term rental compliance oversight. So policy and procedure, we hear that thrown around a lot, but what really does that have? You need to define duties of staff, and we'll talk more a little bit about that. They should be written, and the should be able to be utilized by multiple people, so if someone leaves and someone has to pick it up which I know a lot of you grantees out there that are joining us today are newer because you've inherited the NSP program and have recently come aboard, you rely on policy and procedure documents like that. And then we should have those tracking systems and forms available to us, and then a schedule. So when do we monitor? How do we monitor? Who do we monitor when all those different tasks that are components of monitoring are completed?

So we're ready for our first poll question. Sandy, if you could go ahead and introduce our poll question.

Sandy: Okay. Great. So everyone, on the left side of your screen you should see the poll question which asks at what frequency do you complete project monitoring? And you'll have about another minute to complete your poll answers. You can choose A) on an annual basis for all projects B) on a rotating schedule based on project size and/or risk methodologies – we use a combination of annual multiyear reporting and inspections C) at initial project completion and as needed if issues arise D) we do not currently complete project monitoring or E) I'm not sure.

We'll give you about another 30 seconds to complete your answers for these polls before we reveal the most popular answers, and then Sarah will give us some insight on monitoring frequency. Just a reminder, if you are looking for the slides for today, you can go to the chat box on the right-hand side of your screen, and there is a link in that chat box for the slides. You can find them on the HUD Resource Exchange, but that link will take you right to the spot on the Exchange where the slides are listed. We've got about a few more seconds here on the poll, and it'll wrap up, and then we'll close the poll out, and we'll see what folks have asked for in the answer here. Okay. The poll is ended, and we'll see the results here in just a minute.

Okay. And here are results. So it looks like most folds are doing their monitoring on a rotating schedule based on project size or risk methodology using a combination of annual and multiyear reporting and inspections. About 42 of the 133 folds who answered voted for that choice followed by annual basis with about 35 folks voting for that.

Sarah: Awesome. I'm glad nobody answered D. But if you did, or if you just didn't want to answer, that's okay. That's why we're here today. So I think what I'm seeing here probably is also based on the size of your portfolio which we'll talk about the considerations for each. We have a good spread, so that's good, between annual and rotating schedules. So the benefits of doing an annual basis inspection – and that works generally for your smaller projects – is you're obviously very in tune to what's going on in those projects, but also you have, I guess, more of a better sense of the viability of those projects too. So that helps you get towards our topic later when we're talking about the troubled project status and what we're trying to avoid.

But when we're looking at the rotating schedule based on projects, those are for our larger portfolios, but also, we've if got limited admin resources, it may be better that we're actually doing things on a rotating basis based on some sort of methodology whether it be just strictly project size and number of units or it be based on some other risk factors. And I'll talk about those a little bit later. So thank you all for participating in that and giving us and idea of what you folks are doing.
All right. So let's jump right in to it. As I mentioned before, we do require that you have a monitoring plan or policy, and this can be achieved through onsite or desk monitoring. When we talked about, during the poll, either you're doing this on an annual basis or rotation schedule, maybe you're doing a mixture of both. So maybe on an annual basis you're doing the more desk monitoring work, and you have different forms and reports that come in on an annual basis for your projects managers and owners, and then maybe on a more rotating schedule, your actually out in the field and you're doing those onsite monitoring, and you're looking at the records onsite at the different projects and properties with the property managers.

Both are really good strategies to utilize, and we'll talk a little bit about the benefits of those. When we're looking at how we develop that policy and procedure or the monitoring plan, whichever you've decided to call it, the critical item you need to pay attention to is that you actually – not only are you having a means of doing your monitoring, but you have systems to enforce it. Do you have different tracking systems to keep track of the monitoring that you're doing? Do you have systems that the owners and the managers have access to for reporting? What are you utilizing in order to enforce these requirements? So keeping that in mind.

There's a few critical areas that we wanted to talk about that are required versus recommended components of a monitoring plan. Rent and incomes – that's definitely required. You need to make sure that whatever your plan or policy is going to say that it dictates requirements for how you're going to make sure that the correct rents are charged at a particular project, and that the correct income targeting is happening at a project. So those are just a basic requirement that should be part of your monitoring plan or procedure. How are you actually going to go about achieving that?

A recommended component is looking at the financial conditions of a particular project. So if you have, for example, a means of checking owner financing or the finances of a particular project, then that's going to help you in the long term avoid troubled projects, but also make sure that you're getting a sense of what your portfolio is doing performing financially. And that can help you also assess all your current marketing conditions that you're looking at in your area for projects under period of affordability or even newly development phases or just knowing proposal considerations. So there's a lot of reasons that we do monitoring; one to obviously maintain the big three that I said before, the period of affordability, rents, and income targeting, but also helps you for your portfolio and asset management as a whole.

Another recommended component that we have is the physical conditions. Again, earlier today, we're already talked a little bit through inspections, and maybe considering an ongoing inspection strategy instead of just that initial inspection. So you're looking at the physical conditions of a project ongoing which will help you maintain the viability of that project. And then another required component of that monitoring plan or policy is definitely your records and your other federal requirements. In the Part I of the webinar series of the long-term rental compliance, we talked extensively about record keeping, so I would encourage you to revisit that webinar or those slides for that. But it's really important that you're addressing the types of records that you're going to be looking at, and how those records are to be maintained.

So we're looking at records for how rents are being charged, how tenant income certifications are being calculated. There's other federal requirements that are always ongoing such as affirmative marketing and then the tenant selection plan, so how are our owners and property managers documenting that? And then, what is your plan for your policy and procedure to actually check on those federal requirements being met, or check on the record keeping or the types of records that you expect to be maintained.

And this, again, is just another friendly reminder. We're really looking to maintain that period of affordability through the rents and the income targeting, but regardless of how much we're going to be doing that monitoring, we need to make sure that we can maintain our asset for the life of the period of affordability, but also really want to maintain it ongoing for our community.

I want to go a little bit deeper now into what some of your monitoring components could look like. I mentioned before that we should look at maybe some stuff on an annual basis. And in a minute, we're going to go through our exercise and discussion, and I'm going to be showing you an annual tool, but maybe you do some of your best monitoring or remote monitoring on an annual basis as sort of check in to make sure that you can keep tabs on the project. And again, we don't have a requirement for your frequency of monitoring. That's something that you establish as the grantee. We require that you establish something, and then that's what you stick to. That's what we would be looking at. So, for example, if you say you're going to be conducting certain types of monitoring on an annual basis, then we would expect to see that type of monitoring conducted on an annual basis. If you see that your plan dictates that you have a rotating schedule, we're going to check your schedule and then your tracking of that schedule to see that you've been adhering to that. That's the type of compliance requirement that we have a HUD and what we'll be checking for.

So I listed a few items here for consideration. I want to talk through a couple that I think are critical. The financial viability of a project is ultimately what's going to help us avoid troubled projects in the future, and one of the easiest ways that we can do that on an annual, or even maybe every couple of years, is looking at the actual operating proformas of a particular project. So you might want to request those on an annual basis. Generally speaking, if they're working with other funders but there's a tax credit agency or some of our even larger banking institutions are going to require an annual reporting of their tax and operating proformas anyway, so go ahead and take a look at that. And then, the developer and owner financials will help you assess what the project is looking like, but also what the developer is looking like.

From prior experience, when I used to be a grantee, I remember when I would check on the owners and developers, I would see wow, they don't really have a lot of cash themselves. Are they borrowing cash from different projects to feed other projects? And sometimes that happens. And one of the benefits of portfolio management, especially if you have a few deals that one or two developers, or maybe some common deals with common lenders, you can better assess that just through your portfolio management tools, and you can keep track of your property owners.

The physical conditions, we've talked about that, how important that is. But then also marketing and tenant selection. I think that's a piece that often gets lost in the monitoring process, but it's really something that's important to the viability of the project especially if you're seeing projects come up with a lot of vacancies, either on a regular ongoing basis or it seems that maybe every three months there's a big term of vacancies. You can try and establish we that is. We'll talk about that a little bit later in troubled projects. Again, it's real important that we're making sure that we're keeping tabs of the affirmative marketing, and that they're actually utilizing the tenant selection plan that they provided with the project and certainly when the project started lease up, and that it's amended as needed.

Some of you had said that you were doing your monitoring on a rotating schedule based on some methodology. So a lot of folks consider a risk based monitoring strategy, and it's something I'm also a big fan of as are a lot of HUD field office reps. And we really think that's a good means of helping you efficiently monitor your portfolio. So, if you have the time to do annual monitoring and resources, great. And again, maybe it's a combination of doing some annual desk monitoring on a regular basis, and then really doing that onsite monitoring on more of a rotating basis. But when we talk about a risk based strategy, what we're really saying is that some projects are inherently riskier than others for some reason. Maybe it's the amount of units at a particular project, certainly the larger the project it seems like there's more risk because there's more units that you actually have to keep track of and tabs on. So it could be something simple like that. It could be maybe in some of the annual financial pieces that you've been looking at, or if it was a tight running proforma when you actually underwrote the project, and you had concerns about the long term financial viability, that's a higher risk project.

One thing I want to note, a lot of folks utilize rental ports to meet that low-income housing to satisfy the 25 percent satisfy. That's great, and we really encourage the deeper targeting of different incomes with the NSP funds. But what that also means is maybe those projects are inherently a little bit riskier for a couple reasons. Number one – those 50 percent units need to stay as LH25 units. So it's making sure that those unit designations maintain for the life of the project, or at least the period of affordability. But what that also may mean is that in some cases the financial viability is always under a constant – I don't want to face rent – but it's harder when you have a lot of lower operating income coming into the project to maintain financial viability.

So if you've got a project, for example, that's really deep income targeting at 50 percent of area median income, 30 percent of area median income, that's not a lot of net operating income that's coming into the project. So they have to be really running tight operating budgets, really staying on top of their physical maintenance and their long-term maintenance, and then really checking what those reserves are looking like. So maybe that becomes a risk measure for consideration in your risk based strategy. Also, if you're getting tenant complaints reported to you, so if tenants have issues that are not necessarily being addressed by the property manager or the property owner, maybe that's something that is triggered in your risk based methodology and a host of other factors that you may have defined.

So that's kind of what we're talking about when we're suggesting a risk based strategy. You sort of come up with a system, and for those of you that have HOME funds, you're probably already used to this because we've talked about having a strategy for how you're going to conduct your monitoring since HOME changed the specific monitoring requirements and monitoring frequency, so you actually have to have some basis for when you going to conduct monitoring. So if you do have a HOME Program, you can certainly mirror what you do on that side, and for those of you that don't, and this is something that you're interested in, maybe you speak or work with other jurisdictions that utilize HOME funds or certainly your state tax credit agencies have risk based strategies for their monitoring as well that you can take a look at.

Real quickly, before I move into the next section of other components, part of your risk strategy would also be in informed by maybe some minimal annual reporting, and I'm going to talk about that in a couple slides. But when you're assigning different risk factors, if you've got property managers and property owners and you put even the most basic annual reporting requirements on and they can't fulfill those for you or they're not really completing the forms that you provide to them or you just see red flags when you get those annual reports back, that may be a trigger not to – oh, maybe we should consider monitoring them next year – maybe that's a trigger for hey, we need to take a look at this project right now, so we can maybe avoid some troubled project issues. Something to keep in mind that your risk based strategy should also have some components or some flexibility into it that you may need to get out sooner than later for different monitoring.

All right. I keep mentioning how to utilize annual reporting to help you. And again, the NSP regulations do not necessarily require that you have annual reporting requirements of your property managers and owners. But this is something that we highly suggest, and we're going to take a break for questions in a minute, and then go into our exercise. But I wanted to walk through – we're going to show you an annual owners certification, and that was a tool that we discussed in Part I, and we'll discuss at length today.

But this is a really simple means of reporting that your owners fill out. So it's a form that you provide for them to give you information on an annual basis of what the project looks like. So, it's reporting what the tenants are, what units you have, it's a great way for you to check that the units that they're thinking are the NSP units match the units that you, as a grantee, said were the NSP units. Often times, we find that projects that have NSP units and then non NSP units, whether it be other HOME units or LIHTC units or even just market units, that there seems to be some confusion and crossover about which units should be having the NSP rent designation. So this is a real quick and easy way to take a look at that. We're also looking at what's going on with the tenants and their incomes and their leases and whatnot, and so this is a quick and easy tool for you to utilize, and we're going to go through that example in a minute here.

But before we get to that, we're actually going to take a break because I understand we do have some questions to discuss. So, Jennifer…

Jennifer: Indeed, we do. Okay. We've got quite a few actually. Okay. Our first question is sort of a scenario, and it asks: we have an apartment building that was rehabbed using NSP I funds. All the units were set aside for tenants earning no more than 50 percent AMI, and all the tenants were complaint at their move in. Tenants do not receive any rental assistance. Some of the tenants have increased their income over the past few years, and they are now over 50 percent AMI. What is the rule for tenants whose incomes have risen above the maximum AMI?

Sarah: The rule is that's awesome. The rule is that we're providing folks stable, affordable housing so that they can better themselves, better their incomes and everything else. NSP does not require, as compared to the HOME Program, for example, that we're – first of all, we're not annually recertifying income. So if it's an NSP only unit, you shouldn't be recertifying – you don't have to recertify the income on an annual basis – it's only that initial income certification that we care about. So there is no further long-term requirement for those particular individuals. They get to stay in that unit. If they were to move out though, for example, and that unit was designated as an LH25 unit, the next tenant coming in then also needs to be an LH25 tenant, so a tenant at 50 percent of area median income or less. So that's the only caveat to that scenario. But there is no annual requirement for income certification under NSP.

Jennifer: Great news. Thank you. All right. Next question is about prohibited lease terms. They ask what are these prohibited lease terms that you've been talking about?

Sarah: Sure. A real quick and easy guide – a couple reference points. I mentioned this on the last call. We do have some good resources still on the HUD Exchange, but also through our HUD website. There is an old guide that still is mostly applicable to the HOME Program actually called Compliance in HOME Rental Projects: A Guide for PJs I really encourage you all to check that out because it has a great lease checklist that you can take a look at. Prohibited lease terms are also governed under the HOME Program at 92253. Under the NSP regulations we always defer to 92252 and the minimum lease requirement for a year in establishing a lease. But when we mentioned the prohibited provisions, some of them seem to be more commonplace on waiving rights.

So, for example, if there is a termination issue saying that the tenant would agree to waive a jury trial or waive their right to appeal a decision, so it's making sure that we have tenant protections in there like that. Or waiver of notice. A lot of our leases are very faulty in the notice requirements, so they don't, for example, provide notice to the tenants of – there's different types of notices we're looking at. So, for example, if a rent is going to be increased, what are the requirements for rent increases, for example, and how is that defined in the lease? Access to the unit, so if a tenant has a unit, they're required to be provided notice for access in the unit except in cases of emergency, things like that, that type of lease language.

So I would encourage you to take a look at those resources, and see if some of those leases that maybe utilized – I mentioned this previously in Part I, if you are just relying on the fact that a lease is a HUD lease, please try to refrain from doing that. As time has gone along, our multifamily leases are – public housing leases and our CPD program leases – the requirements don't all mesh. So, the standard leases that come, for example, with the multifamily projects actually conflict with some of our CPD regulations, particularly the HOME Program.

We're trying to iron those out and figure those out as we continue to move on with all of the programs, but it's really important that you just don't rely on the fact that a lease may have a little HUD code number in it and call it a day. So make sure that you're actually reviewing and checking the leases that your property owners are planning on using. And, of course, if there's multiple funders in the project, it may be that some of your requirements in the lease have to be achieved through a rider if they're not willing to amend their entire lease, that's fine and acceptable by HUD, just make sure that you're also trying to have those discussions with those other funders. And usually they're more than amenable, especially the state tax credit agencies to take a look at leases with you.

Jennifer: Thank you. Our next question asks: do you have any policies regarding NSP II clients who get Section 8? Do they have to move out and open the NSP apartment to another family that would benefit from NSP II programs?

Sarah: I guess I would need a little bit – I'm a little bit confused by that question. A little bit more information?

Jennifer: Okay. So if you want to write back in with a little bit more information on that, we'll leave that question open. The next question is: do inspections have to be done at every annual lease binding?

Sarah: No. So, again, the NSP requirements for inspections is an initial project inspection only. What we're encouraging is that you have some sort of regular, ongoing inspection requirement just so you can keep tabs on the units that at a particular project, but also because ultimately the physical condition of a project is very indicative of the overall viability of a project.

Jennifer: Great. Thank you. Next question. Does HOME allow owners to do self-inspections on HOME units, or does this only apply to NSP rentals?

Sarah: The self-inspection piece is a recommendation of the strategy. Under the HOME Program you are required to still go complete inspection. So, HOME Program actually also requires some form of certification by the owners that they're actually maintaining minimum property standards and property conditions. So you can take a look at the HOME Program requirements for that under 92252, but then there's other cross reference sections under the HOME Program regs, including – I'm trying to think off the top of my head – I think a lot of it's covered under 92251 as well. You would want to take a look at that section, but NSP, again, just requires that annual, or excuse me, that initial inspection, but for us we're recommending ongoing inspections whether it be on an annual or periodic basis. But the strategy, one of the strategies that we have suggested was having owners conducting inspections and share their inspection records with you.

Jennifer: Thank you. And this is another HOME question. Does NSP require 30-day eviction notice like HOME?

Sarah: I believe under the Safe Harbor under 252, and headquarters, if you want to chime in as well, we did adopt those requirements.

Jennifer: All right. Next question. Can CDBG funds be used to pay for the ongoing monitoring? Can it be charged as project delivery or is it an admin cost?

[Crosstalk]

Sarah: I believe we're showing where we have issued some guidance on achieving long term compliance with NSP given that we know the program, especially if you're transferring out all program and probably not going to have admin left either. But under CDBG, there's a couple components. There's the housing major codes that are often times used for other housing programs as well, or your CDBG admin. Another strategy that you might want to consider is that if you have, for example, if you're utilizing HOME and NSP funds in a particular project, you're already doing those HOME monitoring, so you've got your NSP monitoring essentially covered. But if there's other partners in a particular project or other funders, maybe you consider trying to work out an arrangement with them, a barter system, or a beg, borrow and steal for some of their inspection results or monitoring results as well.

Jennifer: Thank you. Let's see. Someone says, maybe I misunderstood, but in Part I, I thought you said that annual income certification was only required at tenant rollover and not annually across the board for all units. Can you clarify?

Sarah: Again, the income certification requirement is at the initial onset, but if you have an LH25 percent particular unit, and if that tenant moves out, and you're putting another tenant in there, you need to obviously recertify that particular tenant. But otherwise, we are not doing annual income certifications. The only time that you would be doing annual income certifications on an NSP tenant, for example, is if it was, for example, a combined Home and NSP unit, but then you have to defer to the more stringent and strict HOME requirements as it is anyway.

Jennifer: Can the rental assistance voucher, for instance, Section 8 or Veteran Assistance vouchers be used at an NSP/HOME funded site?

Sarah: Yeah. So, if it's and NSP and HOME project unit, the HOME rule – but this would only apply if it was a low HOME designated unit – it would then defer to the project based rent, and there's more information in the HOME rule on that. But only the low HOME unit which you would have also designated as your LH25 unit because remember, again, NSP doesn't use low HOME terminology, but those are the units where that would apply. It would apply for the project based units. If it's a housing choice voucher, that's different – we don't apply that – it's a different type of rent standard. It's not the project based rent standard where they could charge, for example, what ends up being the local fair market rent.

So we're going to move on to our exercise now. Thanks for those questions, by the way, everyone. They're great and keep them coming, and we'll try to get to as many questions as we can at the end of today's webinar as well, but if you do need some further follow up we, of course, encourage you to reach out to your local field office, and you can keep typing the questions in here as well, and we'll try and get some answers out to all of our grantees through our field office connections.

Okay, so hopefully right now everyone sees an Excel spreadsheet in front of them. We wanted to – all right – great. So we wanted to sort of demonstrate some tools that are already in place and being utilized by some of our grantees, and so those of you that joined us on Part I, you remember my brief introduction. I was a grantee, so I've been in your shoes before, and a lot of information I've been providing you today was informed by those experiences as a grantee, but then also as a senior CP representative in the Chicago field office working with all of our grantees in the state of Illinois.

So this particular Excel spreadsheet is a somewhat simple tracking tool that can be used to help with your portfolio management and track the progress of your different monitoring. This is something that some of our grantees already have in place and already in use. It may reflect components of maybe a different electronic system that you already have in place, but for those of you that don't really have anything, some of you have maybe three or four different Excel files where you're tracking different things and you're looking to put everything into one system, we just wanted to quickly share this example for you. It has a few different component sections, so right now what you're seeing is this yellow section.

It's just the project information. So you're gathering the basics. You're making sure, for example, if you're a grantee that has multiple grants, you've got NSP I and NSP III, for example, which version of NSP do you have, what are your internal project numbers, you DRGR numbers? Maybe you want to note different other funding sources, so, for example, if it's a HOME and NSP project you're going to want to note that. Obviously, you can morph something like this tracking system into a master system where you're tracking all of your HOME, NSP, sometimes even have CDBG projects that you're looking at a long-term period of affordability for, so you would gather all of that information. The project name and address, and then just a reminder to make sure that you're actually considering what your NSP long term requirement is, this information here about the NSP investment, the number of NSP units so you know what your subsidy is per unit, then that's what your period of affordability would be. So having all that information handy is just a good reminder, but also, it helps you really establish what is the nature of the project that we're looking at – how big is it, etcetera?

This next section here is a physical inspection section. Again, it's a reminder. We require an initial inspection – we don’t require ongoing inspections. It's a highly suggested routine that you do to do some ongoing inspections, so you could tweak these tabs, for example, either to just document what that initial inspection was and call it a day if that's the way you choose to do business for your inspection requirement. But a lot of folks still do ongoing inspections to maintain that physical asset and determine viability. So this is just a simple way to track that. You're going to be putting in dates – when you have the inspection, if you had re-inspection issues that came up, and then if that property is in compliance. If you, in particular, have a project that is HOME and NSP, you're required, obviously, to do these ongoing inspections, but actually the HOME rule now requires that you're taking a look at, when you have inspection issues, that you're tracking what those issues were and how you're actually going back to those particular projects to make sure that those issues have been resolved. And, again, I mentioned before a lot of that can be found in Part 92251. So you need to make sure that you're taking a look at that. And we're still releasing instruction guidance under the new HOME rule, but we're going to be having that as a requirement under the HOME Program, so just keep that in mind. So this section here helps you to track that data.

And then, the next tool we're going to be looking at after this is that annual owner certification that I discussed. So this section here in purple sort of captures the brief item on AOC which I acronym-ed it. So when it was actually received on then number 2, was it in compliance, did you have some issues with how that owner reported items, so that's capturing all that data. And then, should you be choosing to do a financial review, which we talked through, you can capture that financial data here as well. Some folks like to capture all this tracking in one place because it helps them keep a mark on the different statuses of the projects in a portfolio. So if they have some really healthy projects, but they have some projects that they have some concerns about, and then if they have some projects that are troubled projects and they need to start considering work outs. This way they have all this information kind of in one area. This also would help you on a more regular basis as you track it and input it, certainly keep informing your risk based monitoring strategy should you have that, or maybe you need to take a look at adjusting your times and schedules for monitoring particular projects based on data that you're plugging into this tracking report.

And then, just some final sections. If you did do an onsite records review, you could data and document that, then you'll know how to go reference that. Of course, a note section. And then, I know when I was a grantee and I would either get a call about a project or let's say I had someone come in and ask me about a project or I was getting ready to monitor a project and I needed to get in contact with that property manager, I was always wondering, well, wait, how do I do that again, or who's in charge? So just a quick, simple section to keep tabs on the ownership and management. So this is just, again, a really simple tracking tool.

We'll be making this and then the AOC that I'll be showing you – that's available to everyone. How we will be doing that is I will be putting together an instruction sheet to go with each of these. If you do have questions on either of these, please sent those questions directly to Jennifer. She has provided her email, or you can send them in the chat box, but will make sure, then, we address those questions as best as we can as part of the instructions. So those tools will come with a set of instructions, and we will be providing these tools to our HUD field offices. So if you're interested in this tool, give us a few weeks to get it together, then you can contact your community planning development representative, and they can provide the tool directly to you. So that will be the way that we will distributing these tools for your use. And it will come as Excel files because everyone should have access to Excel, and that was the easiest platform that we could utilize.

All right. So the next one. This particular tool is something that has been conceived by many different grantees. We have a lot of our grantees here in the Chicago field office work together while they formed different HOME working groups. And for those of you that maybe have our office on the line, we thank you for that and those continued efforts. And some of our entities have gotten together and done different types of annual owner certifications or AOC reports, and this particular tool that I'm showing you is a combination of one that's use by our city, state and our counties here in the Chicago areas, but then also of our other counties and downstate counties that also utilize a similar tool. So we've kind of morphed that into one example to show you today. It is in use by our grantees as a way of collecting information on an annual basis mostly to meet some of the HOME monitoring requirements, but also our NSP grantees are starting to utilize this too as a means of keeping tabs on what their NSP portfolio looks like.

And again, HUD does not require any specific tools or types of tools or systems, these are just suggestions and real-world scenarios, and tools that are in use that we wanted to demonstrate for you today that you may find of use. And the particular tool that I'm going to walk through – I'll walk through the different components of it and how it's used, but some of the discussion examples today, I just wanted to show you the different ways and different considerations that you came come about from using a tool like this. And this is actually bases on some real information that was received on a couple different projects that have been morphed together so that you can get a taste for how owners something actually fill out a report like this, or how they sometimes report to you. And one thing to consider, if you have only NSP projects out, this project takes into consideration NSP, HOME and state tax credits just for discussion purposes, but can obviously simplify these tools as well to meet your NSP only needs.

We've got some obvious information up here at the top that you would want to always capture, so you would know what project you're looking at. When they're submitting the project report, when it was actually placed in service – that helps you figure out where they're at in their period of affordability, but then also you can kind of track what tenants have been in the project for a while and tenant turnover. The idea is that if you use something like this on an annual basis, you're actually going to refer back to sometimes those reports one or two years prior. Either you can see trends with the reports, or if you've got issues, for example, in owner reporting or if there's a change in ownership or management of a particular project then you can go ahead and take a look at that.

Then we've got the information, the compliance period, so what that means - it's the period of time you're asking them to report. So, for example, in 2016, for all your projects active in 2016 maybe you give them a specific deadline that they have to turn in data for their 2016 year. So much like you guys as grantees, we give you, for example, a taper year and we say we want your 2015 taper, the reporting on your accomplishments and issues and whatnot with your 2015 program year, it's the same type of thought here. They're providing the project information, any numbers, any information, and this is always great – I like this – because every so often you get surprises like, oh, the management company has changed, or the person in charge has changed. And they're not always going to be forthright in telling you that, so this annual check is a good way to keep tabs on the different property management that's happening at your projects as well.

And then, of course, the unit designations. This was so you can see how many units you're supposed to have in a particular project, and if what their thinking matches what your written agreement says. So often times what I've seen with some of my grantees, but even when I was a grantee is that those units that they thought were my units, whether they're designated units under the HOME Program – were used to hearing the terminology fixed versus floating units, and NSP you can designate specific units as NSP, then sometimes those units don't necessarily mesh with – if you go down to item 11 here, what units we're expecting them to be reporting on.

So now I want to go through the different columns, and we'll talk a little bit about some of the data in here and just some examples. We've got the unit number under column 11, so they're reporting to us what units they're reporting on. Again, you should take a cross check towards either your rent schedule if you're providing them a rent schedule with particular unit numbers, or if you had designated unit numbers at the onset of the project, did those match? The number of bedrooms, that's obviously important because the unit size is going to dictate your rent. And then the number of household members and the tenant information, here getting into who's actually occupying that unit, and the move in date is going to tell us when that tenant first started with the project. So, again, under NSP we're only caring about that first-time initial income certification, beyond that we do not require incomes to be entered certified. But, if, for example, a projects' unit is designated as both NSP and HOME, then they're probably having the annual income certification there because it's required under the HOME Program. So this whole area is capturing that income certification.

Then AMI that's in column 20, that's actually reporting the tenant's area median income, so are they considered a 50 percent tenant, a 30 percent or whatnot, and then the AMI limit is under 21, what that unit was actually designated to be. So oftentimes, for example, under the HOME Program – and this is one of those questions that came up earlier today – if you've got, for example, a tenant that's in a particular unit and they're not – if they go over income or under income or whatnot, we just care about that LH25, that initial – that's an ongoing requirement, so you do the initial income certification for everyone, then ongoing, that LH25 unit must be replaced every time a tenant moves out with another LH25 tenant or a tenant whose income is 50 percent of AMI or less.

Then when we get into the next set of columns, here 22 through 25, we're really looking at that rent – even 26 and 27. But 22 is what was the rent for that unit? So if that rent limit that perhaps you provided them on a rent schedule or perhaps they've researched out, but what the prescribed rent was for that unit, if there's a utility allowance, and there is a section on this report for them right here to report the utility allowance info that they're using, and then the source for that utility allowance. Remember if you're using HOME utility allowances because you have a home in NSP particular project that we have changed the HOME requirements for utility allowances, so keep that in mind. But otherwise most NSP projects are just deferring to the local housing authority, and that's fine.

Then the applicable max rent here in 24, which this owner did not fill in, so that would be an issue – but that would actually be what should be the maximum rent that's being charged. So, as we mentioned earlier, we would be taking what that maximum rent was minus any utility allowance, and then that's what we should see the owner's inputting in 24. Then 25 here, the column with tenant rent, that's the rent that the owner's reporting that the tenants are actually paying. And then 26 and 27, if there's any subsidies involved. 28 and 29 is lease information so you can see what the current leases are running, what their terms are. And then column 30 here would be our LH25, so if that particular unit has been designated an LH25 unit, is it designated as such.

Some folks that are going to be utilizing HOME and NSP maybe are saying is this a low HOME unit? Now, as a reminder, the critical difference between NSP and HOME when it comes to that 50 percent, we have what's the requirement under NSP is it's just related to our funds, but that's not on a project by project basis. So it's not that 25 percent of the development, for example, has to be an LH25 unit, that's not how it works. So some projects, for example, may have 70 percent of the units actually be LH25 units, and other projects may only have a couple. Whereas in the HOME Program, if you have 5 or more units that are HOME assisted, 20 percent of those units must be what we call those low HOME units, or those 50 percent of AMI or less units. So that's a very distinct difference I want to make between the HOME and NSP program that sometimes confuses folks, but I figure now is a good time to say that because if you're trying to subtract both, you may want to have a different distinction there and add that in for yourself for tracking. But for our purposes right now, we're really just looking at that LH25 applicability. And obviously a column for you to check yourself.

And then down here at the bottom, the other tables that we have – we've got over here was that utility information on any sorts of other subsidies that were being utilized, they can put a code in. Here, the area median income, options that we're expecting them to use. And then, for reporting purposes the race and ethnicity code. A form like this is also good to use at your initial occupancy so you can gather that data when you're trying to have that project go through lease ups.

So what I wanted to do now was talk through this sheet a little bit, and just show you some examples on how it's been filled out by this particular owner, and some common issues that we see. I'm going to ask you folks questions. Unfortunately, time ways and technology wise, we can't have everyone write in or call in their answers, but I'd like you to just answer for yourselves, to yourselves, to see if you can just sort of do a spell check on whether you would know that answer or not. But one of the first items I wanted to point out as we look at this form – if you notice here, this compliance period is 2016, but the year utilized for income limits 2015. So that might be a red flag concern, especially since this report is being submitted in 2017. So you're going to want to keep that in the back of your mind because if we have any tenants that came in recently that should have had a newer income certification, that initial income certification was beyond what would have been that applicable 2015 income period or income applicability of those 2015 rates, then maybe that income may or may not have been calculated correctly or to determine the area median income for that particular household. So just something to keep in the back of your mind.

Some other overview items on this report – this owner is a little bit sloppy. They didn't fill out 24 at all. There's some red flags we see immediately, for example, and I always like to start this way – kind of just take an overview of the report, and then really dig into it line by line. But we see, well, there's utility allowances, but the tenants are not being charged the correct rent then, maybe because 24 had never been filled out, so just looking at pieces like that. We've got a lot of missing information for tenants. So, for example, Storm Trooper Ray who's a household of two, but we have no idea what their income is, so we really can't tell if this 50 percent is correct. So we've got some missing income.

We've got some vacant units, so this project of 16 NSP units actually only has three vacant units in it already. So that might be a concern, and they're only reporting to us on the NSP units. Sometimes if you're using this for Home and NSP you're going to have them report on it all, and maybe designated which was an NSP unit which was a Home unit. But also, if we count how many units here, we only have 15 reported. So that means we're missing one, so we're going to have to check ourselves and look at these unit designations here and see, hey, which unit are they missing that they're trying to report to us and failed to do so. So we can give ourselves a check on that. And it could be the property owner or manager, maybe it's changed, or they had someone new doing this form, or maybe it was another vacant unit or whatnot. There's a host of reasons sometimes why entries are missing, but that's kind of where I always start. Do I have my right units, and do I actually have the correct number of units?

I want to talk through a few lines as examples of some bad reporting, but also red flag indicators that we can gather from this report. And we'll talk about some good lines as well. And again, this is just a suggestion that you go ahead and have your owners complete something like this on an annual basis because it's giving you a quick check that shouldn't take you that long to see what's going on at the project, and you're getting to know what's happening at the project tenant wise, but also what is your turnover like with your units. Are you having vacancy issues? A lot of things that would help lend itself to determining the overall viability of the project.

In combination with a report like this I also like to do what I call kind of a spot check. So, for example, maybe when I send this out to a particular owner, as part of my instructions I'll require them to send me a copy of an executed lease and income certification document for any new tenants as of X dates, or any tenants that were new as of that year. Why would I do something like that? Well, first of all, it saves me the trip from going out on site to monitor that particular record, and I can see that they're actually calculating income correctly. If they said, for example, they're using the Parkside [PH] definition of income, are they actually calculating using the Parkside definition of income. Of course, you want to make sure that they're protecting pertinent information and striking all that when they send you records. And then, also a quick check on those leases.

So, again, we had some concerns earlier about leases and what leases look like and what leases say. This is a really easy way for you to check that A) they're executing leases, B) they're executing the lease that you agreed on, so if you had reviewed a standard lease that they're to be using for all the NSP units, and then you receive a lease on a spot check from them that is not the lease that you had approved, well, then, you know, maybe we've got some issue going on there. But you can also check that the lease and those lease terms are actually matching the information that's been provided in this report. So if they send you – let's say we ask for Storm Trooper Ray's lease because his move in date was March 2016, and we're asking for a 2016 compliance period, so he would be a new tenant for us that we would want to check, we would want to see that the lease was executed the way should be and that his income was calculated appropriately.

Speaking of Storm Trooper Ray, we don't know what his income is because it wasn't reported here. So that would be a red flag that we would have to go back to them right away. We also see that they're recertifying every single person on the 1st of February 2016. Now, some folks just do one recertification date, and for whatever reason, they’ve chosen to recertify everyone even though that was not necessary because, again, NSP only requires an initial income certification. So what we might want to take a look at and discuss with this owner are they, in fact, recertifying everyone? And if they are, why? Are some of these NSP and HOME units in their portfolio versus what we're seeing, so again, back to what units are actually designated, or was this just laziness in filling out the forms? So there's always that too.

Continuing down the line with Storm Trooper Ray, they say it's 50 percent. We don't know. It was an 80 percent unit, so, okay, maybe. And then checking that rent, was that rent for that particular unit applicable, and is that appropriate? Is he charging – assuming that we can get this information fixed, and this information here as far as AMI unit targeting pans out, was the tenant being charge the right rent? Well, there's the $10 utility allowance, but here's an interesting thing – do we really think all of these units that range from – we go back here – studios, one bedrooms, two bedrooms, three – no I don't have any three in this example – but we have studios, one and two bedrooms. They're not all going to have a $10 utility allowance, right guys? So this would be a really good check right here, so we know we have an issue on how they're charging utility allowances. They didn't fill out the utility allowance info down here, so we don't even know how that was informed, so that's something we're going to have to get back to them on.

And then we're seeing was there a lease term. So if their move in date was in March, their lease term was April, maybe they just did a lease for part of March, and then it's the project standard now that they've gone to where they start leases in April. So if they initially agreed to that, and you don't see a difference in terms, maybe request both leases to be sure that's fine. But here's something that I want to highlight. This particular unit, under our LH25 column, has got a Y, meaning it should be a 50 percent of AMI unit. But here, they had it as an 80 percent. So maybe the owner is a little bit confused on what means what. We, again, can't verify that this particular tenant is at 50 percent of area median income because we don't know what this household income is because it wasn't reported.

So all of that was what we discovered with Strom Trooper Ray's line, and these are all questions now we have about the project. So something very simple as this form has informed us already a lot about some questions or concerns we have about the tenancy at this project. So real quick, I want to just to one more example, and it's sort of confusing or do we see issues? Storm Trooper Bethany. So for Storm Trooper Bethany, she had moved in before the compliance period, so again, we don't necessarily need to keep checking her income, and maybe her income was a lot lower before. Now she's making $45 thousand, but we see the rent here. But this was a 50 percent of AMI unit, so hopefully she started as a 50 percent AMI tenant. So you might want to go back a couple AOCs, if you have them, to see what did Strom Trooper Bethany look like when she first started to see if that's complaint. And then we see the rent here, they said the max rent for that particular unit was $730, and the $10 utility allowance, so that's charged fine, but again, we have questions about the utility allowance, so we're going to have to take a further look at that.

I want to also note that we've got a vacant unit – a couple vacant units. Well, let's look at this vacant unit here. We've got a one-bedroom vacant unit, unit 414. They've filled in some information even though it's vacant, so again, maybe it's just sloppy reporting or carryover or whatnot, but why do we care about that vacant unit? Well, right here, this is one of our LH25 units, so that means that right now we already know that this project is having some compliance issues. Now, maybe it was just vacated, and it happened to overlap with the timing of this report. We're not sure, so we're going to want to ask information or go back to one of our old occupancy certifications report that was provided to us maybe last year for the 2015 compliance period and see what that unit indeed occupied? And if it was, when was the lease terms for that unit because we're going to want to make sure that our units, all of our units in the project, are actually being occupied, but also in particular we want to make sure that our vacant units, especially the LH25 ones are getting filled.

We're at 2:30 now, and I want to make sure we get into troubled projects and have time for some of your questions that have been coming in, so for now we're going to stop going through that exercise and again, if you have particular questions about that exercise that I just demonstrated, using either of the tools, please go ahead and send those questions either directly to Jennifer, or go ahead and write them into the comment box because we will try and address them then with the instructions. But I hope that seeing these two tools in use was helpful to you, but also, if you choose to use them that they will help with your portfolio management which we're going to just right into.

So you've heard me mention portfolio management. I'm not going to read to you how we define it, but what I want to make sure as a reminder, you're required to have that monitoring policy procedure plan in place. But having a portfolio tool or asset management tool such as the one I showed you is actually going to help you keep on top of all your projects. So at any given time you know what the status of a particular project is, and ultimately that will help you avoid what we ultimately get into sometimes which are troubled projects. So everything today has been to try and set you up for success with the compliance requirements of maintaining a period of affordability, the rents that are supposed to be charged and income targeting, but it's also trying to set you up for success so you avoid having troubled projects because we don't want troubled projects in our portfolio not just because of the financial issues that that then creates for us – whether or not we have to consider additional financing or hopefully never having to, but you have to pay funds back because the projects' between fail, but also because we're super committed to making sure that we keep these project available long term for our communities and as assets well beyond the period of affordability.

A couple of items that I just really want you to consider. When we're talking about asset management and why we do it, if we don't do it. So, if we don't have regular monitoring or management then we don't know where our troubled projects are, so when I would get the notifications every so often front the court [PH] of deeds – remember one time when I first started at a grantee at one of the counties I worked at, and I had three notices within my first couple

weeks there of projects that happened to have other funding in them that were coming upon foreclosure, it was such a surprise.
But when you don't have a tracking system to know, it's the worst surprise you can get. So you want to make sure that you have some sort of management tool in place so that you're regularly on top of what's going on at your projects. But maybe you also get a call from another funder saying, hey, we have this project that you have NSP funds in, I have tax credits in, and we've got a problem, we've got an issue.

If you have some sort of asset management or tool in place that you can use to track projects on a regular basis, you're already well ahead of that, and you're already able to have those discussions with those other funders long before it gets to the point, hopefully, where you're not repaying those funds. And just a friendly reminder that we discussed in Part I, unfortunately, any time that there is a failed project, much like with our other HUD programs, under NSP, if the project fails, meaning it cannot achieve its period of affordability and maintain the compliance of rent and income targeting during that period of affordability, it's considered a failed project, and then there is a repayment that is due. And we'll talk about all the ways to avoid repayment. It's really important that we're on top of that so we can avoid ever having to get to that point.

We've outlined for you today our three trends that we've been seeing from the HUD field offices as troubled projects that you as grantees are coming to us and talking to us about, and how to try and work them out. So outlined them here real quickly, if you’ve got projects that haven't met long term compliance, some of them are already over, for example, especially those five years one that started early on in the NSP grant. But most of our projects out there that are under long terms rentals are under the 10 or 15 year, so they're still under the period of affordability that we're taking a look at. And maybe you're already noticing that because of trends either on annual reporting – if you’ve imposed something like that – you need to try and make sure that you're aware of changes in the project as much as you possibly can. Some of the more common changes are obviously property ownership changes or management changes. So there should be mechanisms in all of your agreements and your restrictions and your reporting that helps you inform yourself on a regular basis and thus your input into your asset management tools and whatnot when those changes are taking place.

So financial vulnerable projects, if you're doing those annual financial reviews or biannual or however you choose to set yourself up to do business, but when you're actually looking at the financials of a project you can start to see those trends, particularly in proformas and how debt service is being achieved or reserves and whatnot. This is more with our large-scale rental developments such as our multifamily building, but if you also have substantial scattered site projects where you have maybe 10 or more different scattered site units, those also are particularly vulnerable financially. So you're trying to put together a lot of pieces and a lot of moving parts with a lot of units. So we're trying to help you take a look at how you can restructure some of those deals.

And then, we do have this, particularly with NSP II we're finding that some folks that have ownership or management with particular projects just should not have ever been property owners or managers. Maybe they started off doing the development, and then they never transitioned it. That should be something that you start taking a look at from the onset of a project. If you're concerned about the capacity of a developer to maintain management or ownership or a develop entity, or for example, let's say you worked with a municipality developed a specific project, been they say, well, we want to maintain the ownership of it – you really need to make those considerations up front whether there's capacity to do that or not.

So, unfortunately, with NPS what we're seeing is that some projects, in particular in NSP II, just are with folks that don't have the capacity or experience in order to be managing projects, so they don't know – if they're new to the property management game, they don't know how to manage tenant issues, or maybe they don't know how they should be doing income certifications and if you weren't able to train them. Or if, for example, there's a turnover in management that now has significantly reduced their capacity or turnover in ownership, then you need to take a look at that because that's what's going to lend itself to creating more of a troubled project scenario.
So real quick, we're going to go into our second poll question. Jennifer, I'll turn it over to you.

Jennifer: Okay. Thanks so much. Okay. Sandy's going to put the full question up. This question asks how many troubled projects are currently in your rental portfolio? Apply percentages to estimate for substantially large portfolios. We're going to have almost two minutes to answer this question, and so for your first option A) none, everything is going just swimmingly B) one to two, or 20 percent or less C) three two five, or 25 percent or less D) six to sever or more, or 30 percent or less E) more than seven, or more than 30 percent and F) not sure.

So, Sandy, is the clock running on our poll. It doesn't look like it's clicking down. I just want to make sure that's all started and going.

Sandy: Sorry. One second Jennifer.

Jennifer: Sure. Okay. So time's ticking. So again, our question - how many troubled projects are currently in your rental portfolio? And you can choose between those options A through F, and in the meantime, I wanted to remind folds that if you have questions you'd like to ask, you can go to your Q&A box on the right-hand side of the screen, type in your answer – sorry, your question - type in your question, sent it on over to us, and then we will see if we can get you an answer there today. If we're unable to answer your question today, we do save the Q&A, and we'll go through and follow up with folks who we weren't able to talk with during the session here.

Sarah: And a reminder while we're completing the poll with questions, if you have questions related to the tracking tool or the annual ownership verification tool, you can also submit those in the question box or directly to Jennifer, and those will be answered in the instruction guide that we provide when the tool is provided to the field offices for you request.

Jennifer: Thank you for that clarification. These tools that Sarah goes over, which I think have been so great to have some real live demonstrations here today on the topics that we're talking about, if you're interested in accessing those, check in with your field office. We're going to get those out to the field, as Sarah said, along with instructions. So if you're interested in having those, get in touch with your HUD representative. Got about 10 seconds left here on the poll, so if you haven't gotten your answers in, please go ahead. All right. And then we'll wait for the results. And I did still have a couple questions asking about the slides for today. The slides for today are on the HUD Exchange. You can also access them through the link that's been posted in the chat box. So if you click on chat on the right-hand side, there's a link in there for the slides.

Okay. So today, a question of how many troubled projects are currently in your rental portfolio. The top answer getter was none. Everything's going just swimmingly. So that's good to hear. Followed by one to two, or 20 percent or less. And then the next people actually weren't sure. So we want to speak to that a bit.

Sarah: Yes. So if you're not sure of the status of your projects, then really please go ahead and take a look at what is your current monitoring strategy, but also, how are you tracking the results of your monitoring which was some of the tool that we showed you today, but also when you're not monitoring which I'm going to talk about how that impacts in troubled projects, how are you using that information to inform yourself as a result of your monitoring to establish whether you have troubled projects or not. Okay.

Let's jump right into that, actually. So recognizing risk factors of troubled projects. So quick and dirty way – if you have annual reporting requirements of your different property management and owners and they're not doing it, or they're not in great shape, so, for example, the AOC report that we kind of just went through, I would be a little bit concerned about that particular project just on how the information was provided and the nature of the reporting some of the sloppiness and the errors, but also some of the information that we saw. So that's an easy and immediate trigger as something you can maybe start to wonder, hey, is that project going to be something that's troubled or something I can take a little bit more of a look at.

So your monitoring is also going to inform that. So based on your monitoring results, if you had different particular monitoring findings when you were out there, you trying to use all of this hand in hand. Your monitoring is going to let you know these are some of the projects issues I have – let me document it, note it and track it for a particular project, but also maybe if you have different trends in your portfolio that are coming up, maybe that helps you take a look at, hmm, maybe I need to gather all my property owners. And, of course, this depends on the size of your portfolio and how many different project owners and managers you have. But if I'm seeing, for example, record keeping issues every time I go out to monitor, then what does the recording keeping issue lend itself to? Well, maybe they're not putting the correct tenants in the correct units, or they're not leasing up units or whatnot, that could end up being a troubled project issue as far as a compliance nature. So maybe I instead try and come up with some intervention as a grantee where I'm bringing all my property managers and owners together.

Probably the most commonly known risk factor for folks is that financial indicator. And we've given you some indicators here, but one that's not often chatted about that I wanted to highlight is that third bullet point – high vacancy rates or slow turnaround. So in that AOD sample I gave you, there's 16 total NSP units we're expecting, but they only reported on 15, but three of those units they reported on were vacant. That's pretty high vacancy for a project of that size. Why do we care so much about vacant units? Maybe it's just vacant for reporting period; we're expecting a turnover soon. Fine. But if we have units that are vacant for an extended period of time, that means that there's no operating income coming in for rent for those particular units, and that's going to start to add up financially as far as how our cashflow for that particular project is going to be.

Another key item under the financial piece, we mentioned some of the things we should look at such as checking the operating performance, checking developer financials, but also taking a look at what do those reserve accounts look like, particularly if you're not the one in charge of the reserves. So, for example, if there's a project that you have NSP, and it also is maybe a state tax credit project, and the tax credit agency has put in place some reserve rules, maybe you have your own project reserve rules, or you defer to the tax credit agency which is fine, maybe you want to have a chat with them about what the reserve situation looks like. And are folks drawing on those reserves a little bit more regularly than you thought they would, or if reserves are being built up but you're seeing issues at the project, is that a discussion you need to have as well. So those are somethings to think about.

Continuing on, you want to make sure that you're checking the rents and expenses for those particular projects on a regular basis because then you can kind of help inform yourself, but inform your portfolio as well risk wise. Is what I'm seeing what should be expected? So I'm the entity that's approving rents, or many of us are approving rent standards for a particular project, but what is the market also saying about what those particular rents should look like? And what are the operating costs at that particular project? So there's some ways that you can get this data a little bit more regularly. Obviously, you have your own tracking, so you're going to have your own data, and maybe as you go out and visit projects, or on your annual basis that you're collecting the reporting that you've requested you're analyzing it, you're going to collect that data and tabulate it somehow. So you have your own data.

You state tax credit body, particularly those that have tax funds, they're already going to be having this data gathered and generated because they use that to inform themselves about decisions going forward on an annual basis on how to maintain operating accounts, but also for new projects coming in the door. And then certainly that's something to consider – you're looking at different applications maybe that are coming to you with different budgets that are proposed. And maybe if you're in a regional area, some other jurisdictions that are also seeing new projects, because those new projects tend to have more recently done studies available such as rent absorption and unit absorption and whatnot. And then a little bit of a better take on what a budget should look like operating wise. So you can take a look at those.

Construction costs and one of the physical and long-term maintenance and operating costs of a particular project can be informed by local construction standard bodies. The National Building Council and there's a couple of other national building agencies too. They actually, on an annual basis, put out construction standards as do some of the code entities. And then, also, some particular areas in the country and states have property management associations, so that's a good place to tap into taking a look at what are some standard operating costs in the area. And then, as far as other operational costs related to utilities and whatnot, of course, you have your local utility companies available to you as well.

Real quickly, I wanted to have my, you know my help again. We're using monitoring in formal troubled project process. There's some significant findings that we find that you as grantees make when you're out monitoring that contributes to the troubled project piece and then the resolution. One of the significant issues we've seen are the wrong rents. And I just wanted to briefly highlight that. Again, one of the suggestions we made was that you provide an annual rent schedule to your property owners and managers, so you know what rents they should be charging, and they know what rents that should be charged. That's the easiest way to make sure that we don't have any confusion on that. And then when you're out there monitoring, you're checking against that rent schedule that was provided. Also, not applying utility loses is pretty common. We saw that with the reporting, maybe not applying the correct utility allowance.

And then, under the other record keeping issues that tenant income piece, that initial certification of every tenant's income is really important. Then obviously, the ongoing requirement for every swap out of an LH25 unit, so if an initially certified tenant was in and then moves out, that LH25 unit must again be occupied by an LH25 eligible beneficiary, so someone at 50 percent of AMI or less. Really making sure that we're documenting those records.

And then we kind of talked about this before, but are there other local indicators that you want to take a look at? And then outliers. What are some things that are not normal across your portfolio? So if you have a portfolio tracking tool, you're able to see your individual trends in your area. So what are some things that are sticking out as trends, such as maybe hirer vacancy rates at one particular project. Or let's say you've gone out and monitored and you're compared several projects that should have similar income targeting, but one project seems to always be getting the same income levels versus what seems to be the current market need based on what other projects are renting at. So those are some outliers and some items that you may want to consider as part of your overall asset management that would help you inform whether or not projects are on the way to being troubled.

These last couple slides we have before we get into questions, we're going to be talking about when we actually hit these troubled projects, what are we seeing and what can we do with them? So if we're starting to see a few, maybe we have to consider changes to the project. If you've got the ability to, can we maybe consider different rents for a particular project? So obviously there's a lot of factors in that – the other funding sources in a particular project, does the market warrant that, and would that be a sufficient enough change in order to help a project out? Changing the reserve or changing inspections that are going out the door. So, again, when you're out monitoring or you're doing your annual check on a particular project, you're taking a look at what trends you're seeing over your whole portfolio, but particularly the trends at that project as well. Do they have maybe a year where their expenses were significantly increased, and why were those expenses significantly increased? And do we see that that's going to reverse, or is that going to be a trend and why?

And then are there other funding sources that we can take a look at in working with those other funders. Maybe if you've got some physical condition issues, do you have access to CDV funding that can be used to help rehab some of the elements of the project instead of having to tap into reserves if that seems to be a pretty good use of your CDV funds, things like that.

And then, despite all this, despite the monitoring, all of our tracking and whatnot, we're still going to have projects fail. One of the things we had stressed in Part I and other webinars that we've done through our NSP learning and through the HUD Exchange, is a lot of the upfront work that you do such as the underwriting, determining the rental targeting, the tenant selections and really just how many units you're going to have at a particular project, that's what's setting yourself up for success versus that backend where we then hit the troubled project. When you are setting up a project we talk about the risk of work benefit related to the period of affordability, and if you want more information on that go revisit Part I. But when you're making your determinations on the long-term affordability term where our projects are a little bit more restricted by our requirements and regulations and rental income coming in and whatnot, then we're looking at how long is that period of affordability versus the amount of units we took.

And so the most considerations then happen to come to be during the troubled project workout phase because maybe we took on too many units, or maybe we took on too long of a period of affordability, so there's those factors that we need to consider up front. On the back end, we do want to talk real briefly, then we're going to get to some questions, about some options to address these at-risk projects. So I wanted to address a couple. We mentioned before, if you've got projects, and in particular, those we've seen under NSP II where folks that shouldn't be managing a project or shouldn't be in ownership of a project anymore, trying to change that management or entity or ownership entity – those are some really easy fixes that a lot of folks don't think they have the ability or authority to do. So make sure that's something that you incorporate into your process. Maybe it's one of your intervention strategies that you discuss early on when you start identifying projects. But that's sometimes all it takes, and the only fix that's needed. If you bring in an experienced property manager that can either access other funds or other ways to help with some of the holes that are in a particular project, that's all you may need.

Changing how reserves are used, the terms of reserves, maybe that's a discussion you have with your tax credit body if they're the ones in charge of the reserves. Maybe you need to tap into the reserve pool for the next couple of years or so until the project gets back on its feet. And then part of that too is making sure that the project, the way it's operating and the tenancy and the rents that are coming in and the income targeting, matches how that project was underwritten. Sometimes projects are going to go under, underwriting terms were one thing at the onset of the project, and by the time the project was completed maybe it was something else. That's why we encourage you to take a look before that initial occupancy starts if there were any changes or revisions you need to make to unit designations, to do that then for the benefit of the project.

And then sometimes, again, you access changing management company, but maybe you need to change project ownership. So maybe the project goes into a sort of receivership for the time being to keep it on its feet, and then gets moved to another owner. Sometimes if you have owners that have multiple projects with you, and this is particularly in scattered site rental we're seeing this too, where maybe you've got a scattered site rental, five units here and five units there, are there ways to restructure those scattered site deals, for example, to help benefit some of those units that might be having issue over the scheme of the whole portfolio.

And, of course, ultimately, we're really trying to avoid that foreclosure piece. So are there other financing mechanisms that you as a grantee such as CDGB or HOME wasn't in this deal, can we put something else in that can help rescue that project? But really taking a hard look with the property owners or managers at the budget and the operating conditions and see what else we can revise. So with that, we're going to open it up for some final questions.

Jennifer: Okay. Great. We have just a few minutes left here. Let's see. We've got – okay – any insights on the utility allowance model? It's been a challenge to find someone who can confirm the numbers event though I know NSP can use the Housing Authority numbers, most of our projects have HOME and NSP dollars.

Sarah: I'm going to defer to headquarters on that one because that is a headquarters driven tool. What I will say is that some of our grantees have been doing is under that utility allowance notice that went out a few months ago now, there's some other options besides the particular utility launch calculator sometimes that you may want to consider. But also, you can document the data input, and get that data from your local utility company. Sometimes that's the easier way to verify the numbers that you're using.

Unidentified Male: Headquarters doesn't have any insight on that, I sorry. Kind of not something I know. Merilee, do you have something on that?

Merilee: Maybe we can mention it to our office of affordable housing.

Jennifer: Another thing you can do with this question is submit it to the NSP AAQ, and it will come into the AAQ and you might be able to get – just kind of push it up a little bit policy wise to get it logged in there as something people are thinking about. Someone asks is HUD approval required on the affirmative fair housing marketing plan?

Sarah: No. Your affirmative and fair housing requirements, that is a totally separate piece that's related to – that replaces what used to be our analysis of impediments. You are required to have certain provisions related to what an affirmative marketing plan would look like, but those are driven by you. HUD does not approve that. Where we do approve that piece is when we come out and monitor you, we have certain expectations that your adhering to overseeing and looking at affirmative marketing plans. And it's also the way you've described it in your action plans and your consolidated plans to us. But we do not approve those plans. Some particular projects may have an approved plan because the received, for example, multifamily financing or public housing financing, and then you can certainly defer to those plans. You can also utilize other approved plans for certain projects such as a tax credit approved plan. We wouldn't expect a project to have multiple marketing plans in place.

Jennifer: Pretty quick question here – can an owner put a 30 percent AMI person in a 60 percent unit?

Sarah: Yes, you can. Just keep in mind, if you see that trending at a particular project, then the overall net operating income that's going to be coming into that project is going to be reduced over time based on the rent payments that are being made by that tenant. So if you've got, again, as I mentioned sort of at the top of this last hour, deeper targeting lease system of ongoing financial concerns. But certainly, that's what these programs are used for, so we try and underwrite and anticipate that.

Jennifer: Okay. And this will probably be our last question for today. We ask owners to provide information on an annual basis, yet we don't always receive the information from all owners. Do you have any suggestions?

Sarah: Yeah. Sure. So I encourage everyone to put these types of provisions into their written agreements, so you can always utilize the written agreement as your first enforcement mechanism to go to them. But ultimately, if you're not getting that information, that right there might be, as I discussed before, an indicator that something's going on at the project. So maybe that's when you decide you're going to pay them a visit. Usually, one visit from a grantee to go out and monitor a particular project helps with building that compliance relationship.

It also could be that there's just turnover at particular projects, and people are overwhelmed or don't know what they're doing, or they got several different reports at several different times of the year, so maybe you try and time your reporting with if you know there's other funders that require annual reporting at a particular project, you try and combine that or time those types of reporting together, so it makes it a little easier on the property owners and managers. But there's a lot of different avenues you can start with, but I would recommend that you have it your written agreement, but also you consider paying them a visit or even just giving them a call, and seeing maybe if there's a reason why they don't want to report. And if it's just that they don't' want to report, then that's when you're going out and you're contacting and monitoring and you're seeing what's really going on at that particular project.

Jennifer: Okay. Great. There are a few other questions that are very, very fast, specific questions that I think we'll save. We do have these logged, and we will try to follow up with you individually as long as you included your contact information when you signed up for the webinar. If you did not get your question answered though, you can certainly send an email to me at jalpha@tdainc.org. that's J alpha, just like alphabet @tdainc.org. And you can send that question to me, and I'll make sure I sent it along to Sarah and the headquarters team to try and get you a more specific answer.

With that, I want to let you know that at the end of this webinar, when we complete the webinar, you'll be prompted to complete the survey. We love your written responses to the questions there. They really help us make these webinars better in the future, but this is not a good place for those policy oriented questions that you may not have gotten a chance to ask today or didn't receive answers on. For those policy oriented questions, you definitely either want to send them to me at jalpha@tdainc.org, or you can submit them through the NSP AAQ for questions on the resource exchange. Just go to the HUD Exchange/get assistance, and go to the section on ask a question, and then chose the NSP pool, and you can submit your question there to get help on policy related questions.

So please, take a moment to take our survey at the end of this webinar. And we want to thank you for attending this webinar, and ask you to keep your eye out for future webinars that will be coming up in this NSP series. We plan to have a webinar a month on various topics that will help folks work towards closeout. So, with that, we hope that you have a great afternoon, and we'll see you again at an upcoming webinar. Thanks, everyone.