

HOME Four-Year Project Completion Deadline, 9/16/20

Les Warner: Welcome everyone. This is the HOME Four-Year Project Completion Deadline. We have a large group today and probably some additional folks joining us. Today, I'm joined -- I'm Les Warner from ICF and I'm joined by Kris Richmond who is going to be assisting and answering questions as we go along. And we also have Chantel Key who is kind of running the system for us.

Let's go through a few logistics before we get into the meat of this webinar. So first of all though, the materials, the PowerPoint, a recording of this session will be placed on the HUD Exchange. Usually takes maybe a week, week-and-a-half or so for that to appear on the HUD Exchange. But that will be available to you as a resource following this webinar.

We've got everybody in the listen-only mode so we can kind of control sound levels here. And so what we're going to ask folks to do is use the question and answer box to submit questions. And we also -- and this is a little different than sometimes. We also will ask you to use the question and answer box in case you have any technical issues.

So if you look at the top right-hand of your screen, you'll see a little Q&A box up there. If you click on that, that will open up the box and you'll be able to then type in your question and send it on for us to be able to address. Kris is going to be answering questions as we go along, but we're also going to pause at points throughout this presentation. I'll check in with Kris to see if there are questions that we should talk live about as part of the webinar. So you'll have a chance to get additional responses to questions that you might have as we go along.

So our goal for this training is to make sure that by the end of the training, you are -- understand what the four-year project completion deadline is, what it applies to. And then to think about what the tools are that are available for you to be able to track your projects to know at any given time how am I doing based on this deadline that is approaching for my projects?

We're also going to be talking about when you have a project that you realize is not going to be able to be completed within that four-year deadline, what the process is for requesting a one-year extension. And we'll go through that in some detail.

We'll also be talking about some examples where you may have a project that for one reason or another has been closed or blocked essentially, but it's that you need to do some updates and some corrections. And so we'll be talking about how some of those noncompliance issues can be resolved and the steps that you would need to go through in making sure that those are handled properly.

Let's talk a little bit about the four-year project completion deadline on that. So we know that our HOME projects have to be completed within four years of the commitment date. So we're a housing production program, so it's important that our projects are moving forward towards completion so we can provide those services, provide those units, provide those homebuyer opportunities with the funds that are made available to us.

And so HUD is essentially tasked with implementing this four-year project completion requirement and terminating projects that don't comply with that deadline. So when a project fails to meet the four-year project completion requirements, the PJ has to repay those HOME funds.

And so obviously we want to make sure that we have a very good handle on the status of our projects, that we're really tracking this. Because we don't want to be in that position where there is a repayment of funds that are required. And so it becomes kind of a key part of our process, to make sure that we're going to be in compliance with this.

As I mentioned, we're going to be talking about this option of requesting a one-year extension. Now, certainly there are some conditions on that to be able to document that if you are -- receive the extension that you would be able to complete on that project. So there are some times with a project where you would have that option, but we're going to be talking about, how do I know when that deadline is approaching and the timing and the requirements for requesting a one-year extension?

Obviously, when we're making funding decisions, we want to fund projects that we're very confident can be completed within the time period and that they continue to move along so that we're avoiding any concern about our project completion deadline, having to request an extension for that.

So our four-year deadline is on a project by project basis. And so we're going to be talking through some of the logistics on that. We're also going to spend a little bit of time talking about what do we consider -- when is it considered to be a commitment funds? What are the steps -- kind of a refresher of what those requirements are for the commitment. And then how we define the completed project. So let's just jump into those individual slides and look at that.

So the four-year deadline applies to all of our HOME projects. Now, we're going to be talking -- there are a little bit different rules on some things between -- with our rental projects on how we define project completion. But so particularly where we've got projects that involve rehabilitation or we're doing a new construction project, we want to make sure that they are moving forward and that they're not at risk of being blocked within IDIS. We obviously don't want to have to repay any of our funds.

Now, tenant-based rental assistance is a little bit different in that because of the regulations themselves which limit that activity to 24 months, it's not an activity that is subject to be blocked in IDIS based on this four-year project completion deadline.

And then we also would have predevelopment loans for CHDOs that would be set up within IDIS. They're not subject to this deadline because they really don't meet the definition of a commitment for a local project. They're simply a predevelopment loan which is assisting in that future project that we're going to see set up within IDIS, and that project will then fall under the four-year project completion deadline.

So let's talk a little bit about how we define a HOME project. So this applies for both new construction and rehab. This is all where we have sites. A site or we could have multiple sites. We could have a scattered site project. So we have a common site, common ownership and financing, and it's being carried out as a single undertaking.

So for instance, I might have -- let's say I was doing rental development and I had a Phase 1 and Phase 2. It might be on the same site. It might have the same ownership. But if it is funded in two different awards, two different commitments, so maybe they build the first portion on that site and then they come back for additional financing, those are going to be two separate projects.

But we could have -- let's say we have a scattered site project where maybe we have a high-rise building on one site and maybe in that surrounding neighborhood, we have a number of single-unit structures that are part of that same project. If they are under the common ownership and have been financed as an individual project carried out as a single undertaking, then when we define that HOME project, it includes both that high-rise building and the scattered site.

So within IDIS, they're going to be set up and identified as an activity. That's how our four-year project completion deadline would apply, that everything that was a part of that project would need to be completed within that timeframe.

So let's talk a little bit about the commitment date. So the technical commitment date for our project is when all the conditions have been met to have a commitment of funds -- and we'll review those kind of quickly in a minute -- and that written agreement has been fully executed between the PJ and the owner.

So as a proxy to be able to track how we're coming with the commitment date and the -- versus our project completion date, IDIS is going to use the date where that project has been set up in IDIS as a sort of initial way to be able to track compliance with the four-year project completion deadline.

But when it comes to determining, so did you meet that deadline? Did you miss that deadline? You would be using the actual execution date for that written agreement rather than what is the set-up date within IDIS for that project.

And so recognize there could be a little difference between that depending on how your internal process works on -- from the point that you have fully executed an agreement, how long does it take you to get that project set up within IDIS? Obviously, we'd like them to be very close. But compliance will be based on the written agreement execution date versus what's in IDIS.

So some of the steps that we're required to go through prior to being able to commit a funding to a project is making sure all the other funds are in place. You'll notice it saying environmental review and clearance has to be completed. We could have a written agreement that had a conditional clause strictly on the environmental review release of funds. Many of our PJs will make sure that they have the clearance before they actually issue that written agreement, but we might see a little difference here.

Then we have to make sure that we have that budget in place, and you're required to have a project timeline as part of your commitment and review process. So at the point you're making a decision about funding that project, you're assessing whether if I fund this project today, will they be able to complete this project within that four-year timeframe? We'll talk a little bit more about that in a minute.

But right from the beginning, we have established a project timeline. And I'll be talking about later under some of our tracking and thinking about going back to that project timeline that was part of our commitment process and part of that application, to use that as a tool to be able to track, does this project seem to be following that timeline or are we starting to see some risk here?

We also have to complete our underwriting and that would include not only the financial part of that but also looking at the market analysis, making sure that that development partner has the capacity and the financial wherewithal to be able to get that project moving and completed on time.

And then of course we know that we have a HOME rule that says that construction is required to start within 12 months of commitment. So for instance, if you were making a conditional award without the environmental review clearance in place, you'd have to make sure that that environmental review would be completed and that project would have the clearance to move ahead so that you could meet this 12-month requirement on that.

It's one of the reasons you'll want to make sure everything's in order so at the point that we actually issues the commitment and set those funds aside for this project, we really have a plan and we have a feasible project that's going to be able to stay on their projected timeline and be -- finish well ahead of a risk of not meeting a deadline.

So for CHDOs, we have of course some additional requirements that as part of making that commitment, we're going to have to recertify that CHDO to make sure that they meet all of the requirements.

And part of that of course is based on that specific project that they are applying for and making sure that not only are they functioning in one of the allowable roles of owner, developer or sponsor, but also that they have the capacity for what that proposed project and what that role would entail. So we're going to be looking at the paid staff that they have to make sure that they meet that criteria.

Every once in a while, we will have projects that the PJ themselves or a state recipient is actually going to own that project. So in those cases, we really can't use the written agreement itself as the test for that commitment date. And so in those cases, we would be actually using the project date that it was set up in IDIS as our actual compliance date to then calculate our four-year project completion deadline and also to track our 12-month deadline for construction to begin.

So there is a risk of if we had a project that were to essentially committee to those funds before meeting these pre-commitment requirements, first of all, they would be out of compliance. And I

would be perhaps taking corrective actions based on that. But the whole idea on having gone through this process prior to committing those funds is to make sure that that project, once it has been funded, is really ready to move forward.

And so we know that everything's in place, our environmental review is in place, they - the release of funds is in place or we have a very clear plan and a conditional award based on that. And that they really are ready to proceed on that to meet our deadlines.

So if the PJ were to prematurely essentially commit funds to that project, that really puts them not only in compliance with on the commitment end of things, but it puts them at risk of having a project that's really not ready to proceed and might struggle potentially with this four-year deadline. So at the point we sign that written agreement, that's going to be the start for our four-year clock that's starting to tick and we need to be -- make sure that we're very confident that that project is ready to go and moving forward.

So let's talk a little bit about how we define project completion. Since we have a four-year deadline to complete the project, we need to know, when will we have met that? So for a project to be considered to be complete, all of the construction work has to have been completed. That would mean that that project has been inspected, it meets all of the required property standards.

You also need to have the title have been transferred when we're talking about a homebuyer activity. It's not just the construction has been completed, but that actual activity of selling the unit will have been completed, and that's going to be evidenced by the fact that that title has actually now transferred to the homebuyer for that project.

Also need to make sure that the final draw for the HOME funds has been dispersed. That might mean that if we had a project where perhaps we were a little more efficient and we were not going to need all of the -- the HOME funds that we had allocated for that project, we might need to adjust the setup on that so that funds that we were not going to draw were actually cancelled out so that we would have the final disbursement having been completed for that project.

As part of our project completion, we also need that beneficiary data to be entered into IDIS. Now, we're going to talk on the next slide about rental, which is handled a bit differently. But for our homeowner rehabilitation, for our homebuyer projects, that beneficiary data is going to be included, entered into IDIS and that project will have been marked as complete. That will document that we have completed that project and document that we have faithfully met that four-year project completion deadline.

Let's talk a little bit about the rental exception. So for rental projects, the requirement that construction be completed and the project is meeting all of our property standards, that does apply for rental projects and they also have to have that final disbursement of the HOME funds. But unlike our homebuyer project or homeowner rehab where we have a known beneficiary. And in the case of homebuyer, the title's actually transferred.

For rental, we're going to mark that project as complete once the other factors have been met -- the construction completion, the final draw of our HOME funds. And so the project would be

marked within IDIS as being complete and those units would show as vacant. Then as those units are rented up, we're going to be entering the beneficiary data into the system. So essentially, we know that we have an 18-month rent up period from the point of project completion and when we mark that project as complete, that starts the clock essentially for our 18-month time period for those rental units to be occupied by eligible HOME recipients.

And so we would have completed our four-year project completion deadline and met that risk but then for rental, we are looking at making sure that the project actually rents up and we're reporting on that within our 18-month project completion where the PJ has an additional risk that they would have to repay funds for any of those HOME units that were not occupied at the end of that 18-month rent up period. So really for rental, we have two timelines here. First, the project completion and then also our rent up time period.

All right. Um, Kris, before we move forward into looking at tracking completion on this, are there any questions that we should take a look at or revisit?

Kris Richmond: I think so. Somebody had asked, going back to Slide 10, they were saying that prior HUD trainings that they'd been to, it's the IDIS set up or funding date that starts the four-year clock and they were saying you can't have a fully committed activity until IDIS is set up. But written agreements can happen before. They were just wondering if you could clarify that a little bit.

Les Warner: Yeah. I think they have misunderstood unfortunately. So we were going to track initially -- and that's probably when we get to the next section and we're talking about how we might track in IDIS. We will use the date that's showing in IDIS as the commitment date as sort of a placeholder to be able to initially look at the status.

But when it comes to actually compliance and determining, did this project meet the four-year deadline, or if they missed it, are they subject to repayment of funds? That compliance decision will be made on that written agreement. So you might have had a written agreement that had a different date than what was in IDIS for your set up and commitment. And when HUD is making that decision about actual compliance, it will be the written agreement, not what is in IDIS.

Kris Richmond: Great. Thank you. We have a few more questions. Another question is, "Is the commitment date the same as the award date or when the contract between the parties is executed?"

Les Warner: Well, so our definition of commitment is when all of these required elements have been met -- the underwriting certification if it's CHDO, making sure all the sources and uses are in place. And we can't really have a fully executed commitment of funds reflected in that written agreement until all the steps have been taken.

So once that written agreement has been fully executed, you are then able to go into IDIS and you're going to be certifying that this project meets the requirements of the commitment for that. So really the trigger here is meeting the requirements and having executed that written agreement in place.

Kris Richmond: Okay. We have a few more questions but I think we probably need to keep going and then we can see if we have time later to come back to these.

Les Warner: That'll work. All right. So we're going to now talk about -- given that we understand that we have this deadline in place, it becomes very important for the PJ to know, what's the status of my projects? Should I be concerned? Should I be interceding and working with this project? Or are we actually doing fine as part of it? So we're going to talk about what our options are and ways to be able to track compliance on this.

So PJs are going to need to know how projects are doing based on the timelines that were included in that written agreement. So I mentioned that as part of our commitment process, we not only are going to have a budget in place as part of that, but we would also have a project timeline.

And usually these are going to measure kind of milestones within that project, so it might be laid out that the acquisition of the property would happen at a projected date and we would have construction start at a particular date, framing, whatever those sort of key points.

And so at any given point in that project timeline, the PJ would be able to ask about the status of that project and then compare that to the project timeline to get a sense of, is this project still following along with the timeline that we were expecting? Or are we already seeing delays that might impact their ability to meet that deadline?

And so probably our most useful tool here is knowing what we would expect to see at any given time in that project based on those project timelines. So up front, as part of our review, we want to make sure that A, they're detailed enough that we're going to be able to compare and have something to work with to know, does this appear to be working correctly and beyond schedule? And it needs to be realistic for that project.

So I will just note that I think if you were to pull PJs around the country, most folks would say, well. We actually have a shorter deadline in what we've reflected in our written agreement than four years. So for instance, when I worked at the state level, we had deadlines in place that were, depending on the type of project, between 18 and 24 months when we expected that project to be completed.

And so we were never worrying that we were going to be threatened with that four-year project deadline and we were watching those projects to then make sure if there begins to be slippage -- if we've given them a shorter deadline than the four-year time period, that gives us some time to work with that project, get things straightened out and get that project completed on time.

So just know that you don't necessarily need to simply reflect in your written agreement that they have the full four years of the HOME regulations. You as a PJ can put in place your own expectations on that project and track them in that way. But we do want to make sure that there's a little bit of wiggle room there for our project.

If I had a project that were to come in and their project timeline showed that it would take within a couple of months within that four-year deadline to be completed, I'd be very concerned about funding that project because there's almost no room then for any sort of slippage, weather delays, whatever the case would be on impacting how that project was moving along on that timeline.

So that's one of the things for the PJ to consider. That would be done up front as they're assessing that project and determining whether it's a good risk for them. And you can add some additional criteria as part of your written agreement if that makes sense.

So one of the tools that we have to be able to track the position of those projects would be to use the IDIS data. So as we mentioned, the actual compliance for this will be the written agreement date. But we can really use the IDIS funding date as sort of a proxy for when that -- the commitment criteria was met and be able to use that as a way to try to track compliance for that. We essentially want to know as far in advance of having a risk of missing that deadline. We want to know as much in advance so we can try to intercede and see what can be worked out.

So our resources within IDIS, we have both an online report and then an IDIS report that the PJ themselves can run. And these two are very similar but as with many of these, there's -- there are some variations between the posted report that HUD's going to provide and the report that you can run. So we have a post-2011 HOME activities report which is to assist you in tracking the compliance for your project with this deadline.

It's a report that is produced on a monthly basis and it's going to be posted on the HUD Exchange. So you could pull that and be able to review that. But you also have the option of then printing the PR48 which is sort of a similar written version of the report with a few variances. But because you are printing it, it's going to be the most current information versus that monthly version that's going to be posted by HUD.

And so what he reports will provide for you is that they're going to list out your open activities, identify which of your action plans that activity was part of. It'll list the funding date, the amount of funds that were committed and disbursed. It'll show you when that last draw was. So keeping an eye on, hey. Do we have projects that appear based on not having additional draws to be stalled? Or maybe they've been completed but they haven't done the last draw or they don't need some of those last funds. So they're sort of red flags for you to think about as you're looking at that.

It also will show whether those activities are showing within IDIS as open, in final draw, or having been completed. It will also then list what that projected project completion deadline would be and it's projected because we said that compliance is going to be based on the actual date of the fully executed written agreement. So this is sort of a placeholder based on the fund date within IDIS. We acknowledge that there could be a little bit of variance between that and that execution date for your written agreement.

So in using those, we can use those reports to sort of track where the progress appears to be for those funded projects and we could pull the project timeline that was put in place at the point we

made the commitment of funds to be able to compare that to where we think this project should be versus what it appears based on the IDIS information.

We could also identify all of our projects that are in final draw status and that are nearing that completion deadline, and that would kind of be a warning flag for us to be a bit more proactive to make sure that this project is completed, that we get the data in place and so we can actually meet our project completion definition for that.

And this may be including having staff follow up with those specific projects to make sure they have the latest information, maybe identify where there are projects that simply have failed to report or we need to adjust what their allocation is. Maybe they're not going to be drawing all of their funding for that project to make sure that they're safely going to meet our project completion deadline.

That also would be a way for us to begin to target those projects that we think may need an extension. We're going to be talking about the extension process and the fact that that -- any extension request would have to happen before they've actually hit that four-year project completion deadline. So it's really important to understand at any given point which project might actually be at risk with this.

So the reports will show -- the PR46 report will show the warning flags on these. So our projects that are nearing that project completion deadline are first going to be issued a 90-day warning and then a 30-day warning, and this is 90 and 30 days out before an involuntary termination would happen for that project.

So we really want to make sure that we don't miss any of these flags because that's kind of the important time that we need to be able to do whatever corrective action including -- that might include requesting an extension to make sure that we don't miss that and trigger a repayment of funds.

So the flags on this are showing that involuntary termination is coming and it's either 90 days or 30 days. And that will show up not only on the HOME activity screen, but it also is in the PR46 which identifies all of our flagged activities. And this would really be sort of the last trigger for the PJ to take action to try to address any at-risk projects.

Now I'll mention before we go into the involuntary termination -- so we've talked about the IDIS report as being a tool. But I would think that most PJs will have some kind of ongoing reporting that's happening for their funded project. So maybe you have a quarterly or a semi-annual reporting that's coming from those funded projects. You could ask them or require them to report in a narrative format based on that project timeline with each of their semi-annual or quarterly reports.

So you could have pretty good information coming to you on a regular basis about how that project is moving forward, are they on schedule with the projected timeline? If there have been delays, that narrative might be identifying what those delays were, what steps they had already taken to try to ensure that that project would be back on a schedule. So that would give you

information earlier than these 90 or 30-day warning flags. And that might be very helpful for the PJ to get that information as early as possible.

So let's talk about involuntarily and voluntarily terminated activities. So when that activity has been open for four years after its initial funding date, then IDIS is going to automatically flag and block that activity. So it would stop you from being able to draw funds, it would stop you from being able to enter additional beneficiary information for that project.

And so that flag will be in place and the project will have been involuntarily terminated. So that really stops the PJ from being able to do anything further with this project without working with HUD. And we will talk about some of the resolutions that might be able to happen.

So once that flag is in place, the project has been tagged as being noncompliant and the PJ will then have to work to try to resolve what the issues were. And we're going to go through a number of scenarios on this. So we could have projects where the construction or title transfers haven't been completed and so it -- the project has not met the definition of project completion. We could have projects where the construction was completed, the homebuyer project. That title has been transferred. But the activity has not been yet marked in IDIS as being completed.

And then in some cases, we'll find where we have an involuntary termination where we had a project that actually had been marked as completed that the PJ has gone in to add some information, such as beneficiary information for a rental project. And it has been essentially left open long enough that it has been flagged as missing that deadline when it actually had been completed in time. And so we'll go through each of those scenarios as we move forward here. Kris, before we go into the noncompliance, is there anything else you think we should address before we jump into that?

Kris Richmond: There's been a number of questions coming up about converting from homebuyer to rental and when the clock starts for that; do you want to address those now or wait until the end?

Les Warner: We can kind of quickly address that and then if we need, we'll -- we can revisit it a little longer. So when you are converting a project to a different type of activity, then the rules are going to change. So if we had a homebuyer activity that is not going to be sold within our time period and we're going to convert that to a rental project, we are going to then have to re-setup that project.

And I think the project completion deadline would actually be the same, but we will have the 18 months rent up deadline that the clock will begin to click -- to tick at the point that you have set that up as a completed rental project. So with rental, keep in mind we have two sort of different timelines that are impacted. Both the four-year project completion and the 18-month occupancy deadline.

So I think in that conversion, since you have a project that I presume in this conversion, construction has already been completed, you're meeting all the property standards, and the

money has simply -- has been drawn. But that it is simply a matter of under homebuyer, you have not met the project completion definition because you haven't sold it and had a transfer.

When you're converting it to rental, remember that the rental definition of project completion is a little bit different because it does not include that transfer of title or having the beneficiary information known. So I think that the case of you is that the -- it doesn't extend your four-year project completion deadline, but it does give you time for the rent up of that unit. Kris, any other questions before we --

Kris Richmond: Great. I think that's helpful. They -- someone else had also asked under homebuyer, can the homebuyer data be inputted into IDIS within nine months after completion of the project? They understand it has to be sold within that time period. But --

Les Warner: So we sort of have -- with homebuyer, we have a definition of construction completion which starts at the clock for the nine-month sale deadline. But actual project completion, our definition for meeting our four-year project completion deadlines for homebuyer does include that sale -- that transfer of title.

So when you're looking at the start of that nine months sales time period, it's that the construction has been completed and that unit is ready to be sold. But project completion under homebuyer, you won't have met that deadline until that sale is actually [inaudible] and the title has transferred. Okay.

Kris Richmond: Okay. Thanks. There's a few more questions but I can hold those until the end so if you want to keep going, that would be great.

Les Warner: Yeah. Let's hold them just to make sure that we don't shortchange any other section. All right. So let's talk about resolving noncompliance issues. And in the first scenario, we're going to look at where the construction, where the title transfer has not been completed.

So the issue here is that that construction completion or title transfer is part of our definition of meeting a completed project. So we've really only got two options here. If you've missed the deadline or you're not interested in seeking an extension, then the PJ's going to have to repay those HOME funds. Obviously not a position we want to be in.

If we've identified this prior to that actual deadline having been passed, so it's in our own reporting, it's in the 90 or the 30-day warning flag that we got, we realize, oh wait. You know, construction isn't completed. It's not going to be completed by this deadline and we make an extension request to HUD, then we would have up to an additional year to be able to get that project completed to meet the definition of project completion and not be in a position to have to repay HOME funding on that.

So if we're repaying our funding based on having missed that deadline, as I mentioned that might be the only real option you have if you have a project that -- even if you identify, let's say, 90 days prior to this deadline coming, if you can see that it really isn't feasible for this project to be

completed within -- even if you could get -- even if you were awarded a one-year extension, then repayment's going to really be the only viable option for you.

If you're repaying HOME funds, you're going to be contacting your CPD rep and working with them for instructions. And essentially, the PJ is going to be repaying all of the HOME funds that have been disbursed for the project. Those funds are going to be deposited back into the local HOME account. They're going to be recorded in IDIS.

Keep in mind that the repayment needs to be for nonfederal funds. Now, there is the possibility of requesting a voluntary reduction in a future HOME grant in lieu of repayment but usually that's only done in a case where there is a financial hardship that the PJ essentially doesn't have access to nonfederal funds to be able to make that repayment from nonfederal funds. And so in lieu of that, they are essentially giving up future funding from their future HOME grant. So that's the option of repaying our HOME funds.

Ideally, before getting in that situation, we would be able to identify that it was a project that was at-risk and would -- could request an extension and -- for that to give an additional year. Now, the key thing here is that extension needs to be requested prior to missing the four-year deadline. So we really have to know which projects are at risk and be able to identify them up front to be able to put those extensions in place.

Ideally, you would want to be requesting 90 days or more in advance so that that request could have been processed and be in place so that you would know that, yes. I actually have an approved extension. I can keep working here without risk of further delay on this. So that option is going to be the option when you have a project that, once you review it, you realize, yes. I have a way to turn things around, get it back on track, and I can complete this project within a one-year time period.

So again, keep in mind that when we look at these deadlines and the one-year extension, that's going to be based on the written agreement execution date, not what we're seeing in IDIS as that funding date. And so our process, if we're going to request a one-year extension, the PJ makes a formal request.

Now, this is a letter that would go in and that would include a copy of that written agreement, so it's going to document what the actual commitment date is on that, a description of the project status, so really explaining, how did we get in this situation?

Your original written agreement would show your original project timeline and this description of the status would really detail, how did this project get off from the schedule that was put in place? Showing the steps that are being taken to overcome whatever those obstacles were. Maybe we're having to bring in a different developer on this project. Maybe additional funds are being brought in for this project.

And then there would be a detailed project completion schedule obviously updated from the one we had at the point we originally funded this, to be able to demonstrate this, that if we're granted this one-year extension, that it is feasible for us to be able to get this project completed within

that one-year period. And you would need to be able to show that all the adequate funds were in place to be able to do that.

So you're making the case to HUD that if granted, we can actually get this completed and we've taken appropriate steps to make sure that we will have a viable, completable project with that extension.

So the HUD field office is going to review those requests and then they will make a recommendation to HUD headquarters on this. HUD headquarters is going to be looking at essentially the likelihood that that project can be completed if they grant that extension on that looking at the budget, looking at the financing, looking at your construction schedule to make sure that it is viable.

And then the Office of Affordable Housing Programs, their director will issue that and they have either the authority to approve that request or they can deny that request. And so if they deny your request for a one-year extension and you fail to meet the four-year deadline, you would be repaying any any drawn HOME funds at that time.

So let's talk about a different scenario here of noncompliance. So in this case, we're talking about an activity that's not been completed in IDIS but the construction and the title transfer has been completed. And so in this case, we may have a project that either they didn't go in and add the construction or the completion data into the system. SO it might be we've got a homebuyer project that they have not put in the beneficiary information to show that we actually have sold the unit and we have a new owner for that project.

It also might be that the funds, the project has been completed but the funds haven't been yet drawn for that project. And so since that project does not meet all of the elements of project completion, it's been flagged as noncompliant because of not meeting those requirements.

And so to be able to bring that project into compliance, the PJ would need to request an extension. And remember, extension requests need to happen prior to the deadline to be able to complete that project in IDIS. And so with that process, they would be requesting a one-year extension. The PJ can e-mail this to the CPD division in their field office that they're working with.

And again, we're going to have the written agreement in place. The final inspection reports, certificates of occupancy. So we're documenting that construction has actually been completed. If it's a homebuyer project, we'd be showing that closing statement title transfer to show that that transfer of property has actually happened.

And then supporting documentation to show that we actually have eligible project costs that need to be paid. So we've got an invoice from the developer for that project that even though the project's been completed, we just haven't processed and paid that final payment. And that's why we have funds that are not been expended at that point.

So again, the field office will go through the review process. They'll make a recommendation for that, making sure that they document that yes. Construction was completed. That for homebuyer projects, that title actually has been transferred within the timeline and then either an approval or denial of that extension request.

So in this case, we simply have to meet that project completion deadline or definition. We need to pay out the last remaining funds. So if this is approved, then HUD would unblock that activity in IDIS and the PJ would need to complete that project. So immediately they would draw the remaining funds for that project or there might be a case where you actually had funds remaining there that you weren't going to need and you simply had not reduced the funding level for that project.

If that's the case, you would then be correcting that by reducing the funding level for that project, marking that project as complete with all completion data that's needed, and changing the status of that within IDIS.

All right. And so let's talk about also our last couple of compliance issues and then I think we'll open this up and address all of the remaining questions. So for resolving noncompliance, we also sometimes have projects, as I mentioned up front, that the project actually was completed but for one reason or another, the PJ has gone back into IDIS and reopened that project after the completion date.

And so the system itself is calculating and flagging, saying, well. Wait a minute. This project is showing as open and it's past the four-year project completion deadline. So times that this would happen would be if the PJ's going in, they've marked it as complete and we mark -- we talked about the definition for rental completion would be for having construction complete, all the funds drawn, but the units themselves can be vacant.

And we would mark that project as complete, and then as those units were rented up, we would be going into IDIS and reporting that information. And so if the PJ went into add beneficiary data and didn't re-close that activity, it's going to be then showing that they are missing that 12-year project completion date.

WE also have a little bit of flexibility in the HOME rules that within that first 12 months after completion, the PJ does have the ability to add additional funds. And so sometimes in that initial period, we discover that there's something as part of the construction design of that project that really ought to be added or addressed and there is the ability to reopen that project.

And also sometimes we see that just inadvertently, the PJ has opened up the wrong activity. And so we have projects that were correctly completed and marked in IDIS that just inadvertently get reopened. So those projects are going to be flagged by the IDIS system and show as involuntarily terminated. And so it would be indicating that there's a repayment that is due for that project.

So in those cases, to resolve those projects that were reopened projects, PJ would have to ask HUD to release the block on that project in IDIS, that activity. And so you could e-mail your CPD division, document the original completion date, provide information about how it was that

that activity was reopened. If you were adding new funds, you'd be explaining what that was about, the amount of the funds and what was happening with that.

The field office is going to make a recommendation and then either that will be, again, approved or denied by headquarters on whether that flag or block will be removed from that activity. So if that is approved, HUD's going to remove the IDIS flag, that project would be unblocked and then the PJ would be asked to go in, either enter beneficiary data or reset the project to the original completion date.

The one thing that's important for PJs to understand is when you're going into a project and you're adding beneficiary data to that, you need to make sure that you -- when you're closing that, that you set the original completion date in IDIS or IDIS is going to, in tracking clients with the four-year project completion, track based on whatever date was -- say you reopened and went back in and the inadvertently flagging your project as having missed that deadline. So really important to reset that. When you reopen in IDIS, make sure you reset it with the original completion date for that record.

So as I mentioned, you're going back in, you're resetting. You're going to reopen a completed activity. Enter that information and then close it using the original completion date on that to avoid having this inadvertently flagged for you.

All right. Kris, that gets us through our slides, so we've got the remainder of the time to address questions.

Kris Richmond: Fantastic because I have a whole lot of questions coming in.

Les Warner: All right.

Kris Richmond: I do want to let people know, because there's been a lot of questions coming in asking about the COVID regulatory exceptions or waivers. I did put in the answer box that people should go back and look at that April 10th, 2020 memo that came from John Gibbs that does relate to the four-year project completion, that if there is a project completion date that happens during this time period and it needs to be extended, they -- it's not automatic.

You do have to request a waiver, so please go back and look at that memo. I don't know, Les, did you have anything else to add to that about any of the COVID requests for waivers?

Les Warner: No. I think it really just goes back to what we've talked about is the PJ's going to need to know the status of that and then act accordingly on that. So there is some flexibility there, but you'd have to be able to identify that you had a compliance issue.

Kris Richmond: Great. All right. I'm going to -- bear with me because there's a lot of questions and I've answered some but not others. So let's go to the ones I haven't answered. This one is asking about the HOME agreement. And so they're asking, "If the HOME agreement only identifies a date for project completion, but it does not offer any other specific benchmarks or dates within the written agreement, is that still meeting compliance, do you know?"

Les Warner: Well, so compliance with the four-year deadline is going to be really determined based on, did you actually meet our definition of project completion, which is of course having completed construction, the transfer of title if it's a homebuyer project, and then we talked about the drawdown of the HOME funds.

So I would think that as far as completion and meeting this definition that as long as you met those requirements, that would be appropriate. You are, as part of your commitment requirements, supposed to have a project timeline in place, and I would think that could potentially be a compliance issue if HUD were looking at your -- the evidence of your original commitment and determining whether you had done all of the required steps on that.

But as far as meeting the four-year completion deadline, as long as you have met those requirements that we've identified, I think that you would be okay. I mean, obviously if you have a project that is still active still within that time period and you do not have a project timeline in place, probably would be a good thing to get one even mid-process here so that you have something to be able to track to and compare to try to determine.

It's a pretty critical tool, being able to determine, should I be feeling nervous about this project, that it's going to be at risk? Or are they following a track and the timeline that is projected that would show that they're going to be within that timeline?

Kris Richmond: Great. Another question about a waiver, but this time it's about major disaster areas. "Do you know anything about disaster areas and waivers for project completion dates?"

Les Warner: I don't. And I would suggest any time that you are dealing with something like that, I would just work very closely with your CPD field office and they will work with headquarters to get you answers on that.

Kris Richmond: Great. Okay. Someone else had asked I think at the very beginning, we were talking about award date. And they just wondered if you could clarify, what do you mean by an award date and how is that date important?

Les Warner: So when you -- I think what the question is referring to is I was referencing that when you have a commitment or award date of when you are designating funds within IDIS, that you're setting up that project in IDIS and funding it, that's sort of our stand-in for approximately when we think that commitment date it. But as we mentioned, what we're going to look to for compliance on this is the execution date for a fully executed written agreement.

Kris Richmond: Great. Thank you. All right. Scrolling down. All right. Here's a question. Is there any rule for how many days after signing the written agreement that the project has to be set up in IDIS?

Les Warner: There isn't. I think if you think about sort of practicality that you want to get the project set up within IDIS as soon as feasible, not only because you need it set up so that when that project is ready for a draw, that you have the ability to be able to draw those funds. But since

IDIS is your way of reporting what projects you have funded that you are making progress and it's going to be a tool that you're going to be using, one of your tools that you're going to be using, be able to track the status of your projects. I think you want IDIS to be as timely as possible. But recognizing that your internal process versus another PJ's may be a little bit different.

Kris Richmond: Great. Okay. Here's another question. They're asking if they have a multi-unit -- so they have six individual units to be sold but they -- I think they set it up as one project. How do they mark that as complete if all units have not been sold yet?

Les Warner: And I'm sorry; can you repeat that?

Kris Richmond: Sure. "If I have a project that's multi-unit, so six individual units need to be sold, how do I mark the project as complete if not all units have been sold?"

Les Warner: Well, if it's set up as an activity, I guess it would really depend on how you've set it up in IDIS. And I'm not an IDIS expert, but I believe that things are set up in IDIS as an activity. It could be an activity that was a single unit but you might be running a program where you have multiple that you had funded. So you might be funding the development of a number of homebuyer units but they were set up as individual activities or individual projects so they would be individually set up in IDIS.

But the test here is for whatever your -- whatever is part of your project, and we talked about the definition of a project which was common ownership, common financing and undertaken as a single undertaking, that they -- anything that's part of that essentially scope of work, then everything needs to be completed. All of the funds would have been drawn. And if it's a homebuyer, the transfer of the title would have happened. So I think it's going to be depending on how you have set these up in IDIS.

Kris Richmond: Okay. Somebody's asking, when they reclose the activity -- okay. Should you reclose the activity? I think this is if the activity was closed and they now had to go back in and add beneficiary data. So they're asking, "Should you reclose the activity on the original completion date or the date that you're actually reclosing it?"

Les Warner: So that's the important point. I'm glad it was asked again. You need to be reclosing it with the original completion. That way the system, when it is looking at, when were the funds committed versus when the project was completed, if they're using that later date of when you went in and entered some additional beneficiary information, you could essentially be causing that project to be flagged for missing the deadline when they actually had completed it on time. So it's really important to use the actual original completion date on that.

The other thing I will just point out is when you're opening that activity to add beneficiary information, you need to make sure that you reclose it that same day. So in other words, the system itself will then not be -- if you leave it open for a couple of days and then close it, you've essentially fed into the system that you've got an open project again that you -- because you

haven't closed it right away. And you could be inadvertently, again, causing a flag that doesn't really belong there.

Kris Richmond: Great. Okay. Looking at some [inaudible] questions. Somebody's asking that -- they said you mentioned earlier a project should start within -- "Construction should start within 12 months. Is this a regulatory requirement?" And if so, what are the corrective actions that should be taken if construction has not begun?

Les Warner: So it is a regulatory requirement and so the PJ, as part of funding that project -- and that's one of the reasons that you have the project timeline in place -- you as the PJ in funding that project need to be able to determine, if I fund the project, can construction begin? So can it meet that deadline, that requirement?

I can't really speak to the corrective action. That's something that you would need to work with your CPD rep on. But really our goal here is to not get in that situation. And so that's part of your assessment up front to determine, is this project actually ready to go? Or might you be saying, I can't make a commitment on this project until you're able to present, based on this project timeline, that if I fund you today, that within 12 months you will be ready to be able to get construction underway?

Kris Richmond: Great. Okay. I'm looking to see here, because there's a lot of really specific IDIS questions that I don't really think we can answer at this time because they don't really relate to project completion. They're very, very specific, so we might need to send some of these over to HUD to be answered later. I'm just trying to see which -- if there's some other questions, Les, that we can talk about.

I think, Les -- I think that's everything. Sorry it's taking me a minute here. There's so many questions that came in. I don't see any others that are -- that we can really tackle at this time. Like I said, there are a number that are very, very specific to specific situations in IDIS that we can send those on to HUD to be able to get answers for you. I think that's about everything, Les.

Les Warner: I think the -- sort of the takeaway point here is, it's important that you understand you have a four-year project completion date, knowing that the trigger for this is or as we calculate it, it's going to be from the point that those funds have been committed. And the official date that we're going to use is our written agreement when it's been fully executed.

So we've got four years from that point to get the project done. So the tools that we have in place as part of our written agreement and our funding, we will have a project timeline in place. And that's an important tool for the PJ to be able to use in kind of tracking how is the project doing versus where we think it ought to be at this point.

We mentioned about being able to use semi-annual or quarterly reports and asking those projects to report based on that project timeline which would identify if there were issues and kind of give you as early as possible a warning flag on this. And then we talked about using the IDIS reports to be able to see all of our open activities and see what their current status was on that.

We also mentioned about the flags for projects that are 90 or 30 days out from an involuntary termination from missing that.

And of course key point is that there is a possibility of a one-year extension, but the PJ would need to request that extension prior to that four-year project completion deadline having passed. So it just adds to the importance of making sure that you understand what the status of those projects are so that you can make that request.

And then I think the only other sort of cautionary thing was about when you're reopening completed projects, make sure that you reset those when you close them with the original completion date and that you close that record the same day you open it so that you're not inadvertently causing these flags to occur, indicating that you've missed the project completion deadline.

I think that we've covered this. Again, the materials, including a recording of this, the slides, a transcript will be posted on the HUD Exchange as a resource that you can go back to. We will pass on the questions, the IDIS questions, to HUD and see if we can get the answers back for you on that.

We hope that this session was helpful for folks and glad so many of you could participate today. Thanks, everybody.

(END)