

# Neighborhood Stabilization Program Closeout Guide



**Cover page photos (left to right): Mantua neighborhood, Philadelphia, PA;  
The Dunbar, South Los Angeles, CA; Pullman neighborhood, Chicago, IL.**

Source: HUD

# NEIGHBORHOOD STABILIZATION PROGRAM CLOSEOUT GUIDE

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<b>A. PURPOSE.....</b>	<b>3</b>
<b>B. UNDERSTANDING THE CLOSEOUT CRITERIA– HOW WILL I KNOW I’M READY? .....</b>	<b>5</b>
B.1. LINE OF CREDIT REQUIREMENTS ARE MET. ....	5
B.2. TWENTY-FIVE PERCENT (25%) SET-ASIDE FOR THE INITIAL GRANT ALLOCATION IS MET. ....	6
B.3. ACTIVITIES ARE COMPLETE.....	8
B.4. A NATIONAL OBJECTIVE HAS BEEN MET FOR EACH ACTIVITY FUNDED BY LINE OF CREDIT FUNDS .....	10
B.5. COSTS TO BE PAID WITH NSP FUNDS HAVE BEEN INCURRED. ....	11
B.6. OTHER GRANT RESPONSIBILITIES AND REGULATIONS HAVE BEEN CARRIED OUT. ....	12
<b>C. PREPARING FOR CLOSEOUT - TOP THINGS GRANTEES CAN DO .....</b>	<b>15</b>
C.1. RECONCILE THE CURRENT QUARTERLY PERFORMANCE REPORT IN DRGR .....	15
C.2. FOLLOW ACTIVITY FUNDING STREAMS - LINE OF CREDIT FUNDS OR PROGRAM INCOME? .....	17
C.3. CONFIRM THAT THE 25% SET-ASIDE REQUIREMENT HAS BEEN MET .....	17
C.4. CONFIRM THAT ALL ACTIVITIES HAVE MET A NATIONAL OBJECTIVE. ....	18
C.5. OBLIGATE LAND-BANKED PROPERTY FOR USES THAT MEET A NATIONAL OBJECTIVE. ....	18
C.6. DISPOSITION AND WRITTEN AGREEMENTS.....	18
<b>D. COMPLETING THE CLOSEOUT PROCESS .....</b>	<b>19</b>
D.1. GRANTEE AND HUD DETERMINE JOINTLY THAT THE CLOSEOUT CRITERIA HAVE BEEN MET. ....	21
D.2. HUD SENDS CLOSEOUT NOTIFICATION PACKAGE TO GRANTEE .....	22
D.3. GRANTEE PREPARES AND SUBMITS CLOSEOUT PACKAGE TO HUD .....	22
D.4. HUD REVIEWS CLOSEOUT PACKAGE AND COORDINATES SIGNING OF CLOSEOUT CERTIFICATION .....	25
D.5. GRANTEE SUBMITS FINAL QPR TO HUD. ....	26
D.6. HUD AND GRANTEE EXECUTE CLOSEOUT AGREEMENT. ....	26
D.7. HUD CANCELS ANY UNUSED PORTION OF NSP GRANT AWARD .....	26
D.8. GRANTEE’S NEXT SINGLE AUDIT INCLUDES PREVIOUSLY-UNAUDITED COSTS.....	27
D.9. GRANTEE ENSURES LONG-TERM REQUIREMENTS ARE MET .....	27
<b>E. COMPLYING WITH REQUIREMENTS POST CLOSEOUT- ONGOING CONSIDERATIONS .....</b>	<b>27</b>
E.1. INTERNAL POLICIES AND PROCEDURES TO EASE LONG-TERM ADMINISTRATION .....	27
E.2. INCOME GENERATED FOLLOWING CLOSEOUT .....	28
E.3. USE OF LAND-BANKED PROPERTIES .....	31
E.4. USE OF DRGR AND IDIS.....	36
E.5. REPORTING DURING AFFORDABILITY PERIOD.....	36
E.6. RECORDS MANAGEMENT AND RETENTION.....	37
E.7. FLOOD INSURANCE .....	37
E.8. CHANGE IN USE.....	38
E.9. ENVIRONMENTAL REVIEWS .....	38
E.10. LOAN LOSS RESERVE FUND.....	39
<b>GLOSSARY .....</b>	<b>40</b>
<b>APPENDICES .....</b>	<b>42</b>

APPENDIX A - 25% SET-ASIDE WORKSHEET - ANNOTATED .....	43
APPENDIX B- ACTIVITIES AND NATIONAL OBJECTIVES .....	44
APPENDIX C- DRGR REPORTS SUMMARY DESCRIPTIONS .....	51
APPENDIX D- CLOSEOUT NOTIFICATION LETTER (FORM).....	56
APPENDIX E- CLOSEOUT CHECKLIST (FORM) .....	58
APPENDIX F- CLOSEOUT CHECKLIST – ANNOTATED .....	63
APPENDIX G- MANAGEMENT PLAN TEMPLATE FOR CONTINUING AFFORDABILITY REQUIREMENTS (FORM).....	73
APPENDIX H- CLOSEOUT CERTIFICATION (FORM) .....	77
APPENDIX I- CLOSEOUT AGREEMENT (FORM) .....	78

## **TABLE OF FIGURES**

FIGURE 1: Closeout Timeline.....	4
FIGURE 2: NSP Eligible Uses and Correlated Activities .....	9
FIGURE 3: Eligible Closeout Costs .....	12
FIGURE 4: Technical Assistance Request Screen at <a href="http://www.onecpd.info/technical-assistance/">www.onecpd.info/technical-assistance/</a> .....	20
FIGURE 5: Closeout Steps.....	21
FIGURE 6: Treatment of Income Following Closeout.....	30
FIGURE 7: Disposition Examples .....	34
FIGURE 8: Land Bank Action Examples: Pre- and Post- Closeout .....	36

## A. Purpose

The Neighborhood Stabilization Program (NSP), authorized under the Housing and Economic Recovery Act (HERA) of 2008 (NSP1), the American Recovery and Reinvestment Act (ARRA) of 2009 (NSP2), and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (NSP3), is a special allocation to the Community Development Block Grant (CDBG) program. NSP provides assistance to states, local governments, nonprofits, and consortiums to acquire and redevelop properties that might otherwise become sources of abandonment and blight.

This NSP Closeout Guide (Guide) is intended to supplement the Notice of NSP Closeout Requirements and Recapture (NSP Closeout Notice)<sup>1</sup> and the Closeout Instructions for Community Development Block Grant (CDBG) Programs Grants,<sup>2</sup> as well as offer guidance to grant recipients on closing out NSP1, NSP2, and NSP3 grants. This Guide is a living document that will be updated over time and with addendums to provide additional instruction and clarification to the closeout process, as needed.

HUD has not established a deadline for closing out NSP grants. Program closeout is different than meeting expenditure deadlines. Meeting expenditure deadlines does not automatically prepare a grantee for closeout, and additional preparation is required to meet the closeout criteria. Grant closeout has benefits, including less frequent reporting, but the fundamental rules of the NSP program continue to apply to the use of program income following closeout for most grantees. Grantees are encouraged to take their time in properly preparing for closeout, which will facilitate the closeout process and post-closeout administration.

The first step in preparing for closeout is completing all activities funded with Line of Credit funds. Some grantees may have a small amount of Line of Credit funds remaining at the time of closeout. HUD will work with grantees to closeout out the grant when this amount is as small as possible. Any amounts remaining in the grantee's Line of Credit at closeout will be returned to Treasury. Further, all completed activities funded with Line of Credit funds must have met a national objective. It is important to note that physically completing an activity (e.g. completing construction) does not necessarily mean the national objective has been met. Grantees must also have met the 25% Set-Aside Requirement and all costs to be paid with NSP funds must have been incurred. These closeout criteria and the closeout process are explained in more detail throughout this Guide.

Grant closeout is described in four phases:

- (1) Understanding the Closeout Criteria
- (2) Preparing for Closeout;
- (3) Completing the Closeout Process; and
- (4) Complying with Post-Closeout Requirements.

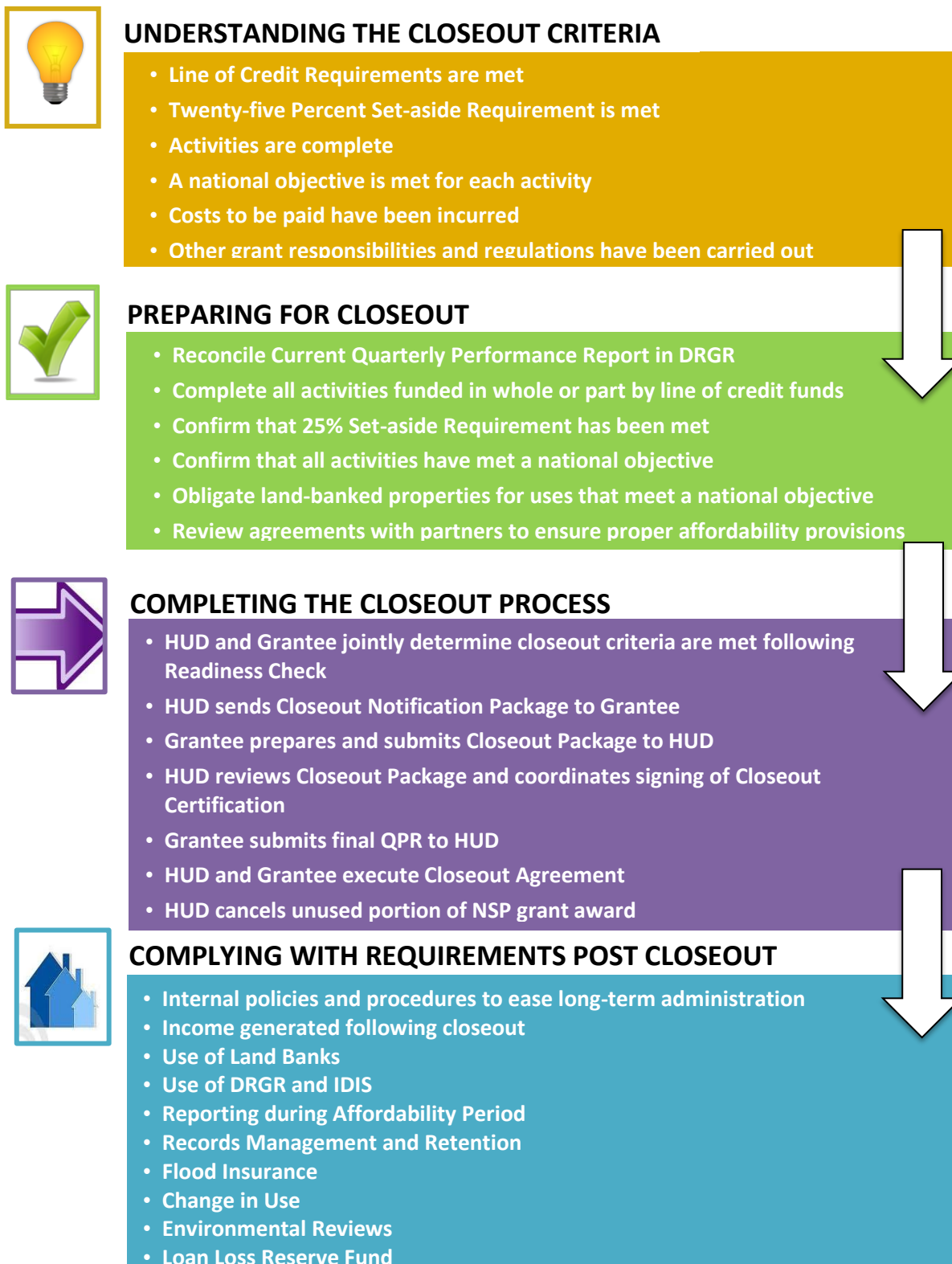
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<sup>1</sup> 77 Fed. Reg. 70799-70805 (November, 27 2012).

<sup>2</sup> CPD Notice 14-02

Figure 1 below illustrates these closeout phases and includes a summary of key concepts. The Guide provides additional information and should be reviewed closely for information on each phase of the closeout timeline.

**FIGURE 1: Closeout Timeline**



## B. Understanding the Closeout Criteria– How Will I Know I’m Ready?



### UNDERSTANDING THE CLOSEOUT CRITERIA

- Line of Credit Requirements are met
- Twenty-five Percent Set-aside Requirement is met
- Activities are complete
- A national objective is met for each activity
- Costs to be paid have been incurred
- Other grant responsibilities and regulations have been carried out

Closeout is the process in which HUD determines that all applicable administrative and program requirements have been completed by the grantee in accordance with the NSP1, NSP2, or NSP3 Grant Agreement. Closeout must be completed separately for each NSP grant, even if a grantee has more than one NSP grant ready for closeout. The NSP closeout process is similar to the CDBG-R closeout process. HUD will work directly with grantees on closeout, not individual subrecipients. Subrecipients should follow guidance from the grantee and comply with their subrecipient agreement. However, for entitlement communities that are members of NSP2 consortia, HUD will require the entitlement members to complete some of the closeout forms. These situations are limited so affected entitlements should work closely with their lead consortium member and HUD Field Office representatives on these requirements.

A grant may be closed when HUD determines that the following conditions have been met:

### B.1. Line of Credit Requirements are met.

HUD has not set a deadline for grant closeout. However, NSP1, NSP2, and NSP3 each have statutory expenditure deadlines. Before focusing on closeout, grantees must spend 100% of their grant amount – i.e. the amount of their original allocation- by the applicable grant year deadline. Grantees may spend a combination of Line of Credit funds and program income to achieve this amount. A grantee’s *Line of Credit* refers to the NSP grant funds held in the grantee’s Treasury account, which are drawn through the Disaster Recovery Grant Reporting (DRGR) system. (Throughout this Guide these may also be referred to as “Line of Credit funds”). *Program income* is revenue generated directly by activities carried out with NSP funds and held in a grantee’s local account.

Because program income must be spent in advance of Line of Credit funds, grantees may have funds remaining in their NSP lines of credit following the expenditure deadlines because program income was applied to the amount needed to meet the



deadlines. In order to close out their grants, however, grantees should exhaust their entire Line of Credit funds. Grantees may continue to spend their remaining Line of Credit funds following expenditure deadlines with the objective of satisfying the closeout criteria as expeditiously as possible. There is currently no deadline for closeout.

HUD will work with grantees to close out grants at a point in time when the Line of Credit funds have been used to the greatest extent possible. After HUD and the grantee have worked through the closeout steps described in Section D, any remaining Line of Credit funds will be canceled.

## **B.2. Twenty-five percent (25%) Set-aside for the initial grant allocation is met.**

At the time of closeout, not less than 25% of the grantee's NSP1, NSP2, or NSP3 Line of Credit amount must have been expended to house individuals or families whose incomes do not exceed 50% of area median income (25% Set-aside Requirement).<sup>3</sup> This amount may be made up of any combination of Line of Credit funds or program income. This requirement applies to NSP1, NSP2, and NSP3 and must be met for each grant individually in those cases where grantees may have multiple grants.

Further, NSP grantees must expend an amount equal to 25% of all program income earned to house individuals at or below 50% AMI, again made up of any combination of program income or Line of Credit funds. HUD encourages grantees to meet this requirement before closeout.

Grantees have an option, however, to close out their grant and demonstrate within 3 years of closeout that they have met the 25% Set-aside Requirement for program income earned as of the date of the Closeout Agreement. See the example in the box to the right. Grantees that choose this option may use any combination of Line of Credit funds already expended as well as program income earned before or after the closeout to satisfy the requirement. Grantees will

### **EXAMPLE- 25% PERCENT SET-ASIDE**

Grant Amount =	\$2,000,000
25% Set-Aside=	\$ 500,000

Program Income earned  
by the date of Closeout = \$ 100,000

At Closeout, grantee has expended \$510,000 towards the 25% Set-Aside Requirement.

Three (3) years from the date of Closeout the grantee must expend an additional \$15,000 towards the 25% Set-Aside Requirement.

<sup>3</sup> See "Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Program Formula Grants," 75 Fed. Reg. 64322-64348 (October 19, 2012).



use the 25% Set-aside Worksheet attached to the Closeout Agreement at Appendix A to document these amounts.

It should be noted that choosing this option does not change any requirements applied to program income earned after the closeout of the grant. By choosing the 3 year option, all future program income earned still remains subject to the 25% Set-aside Requirement, but grantees will also have the option of applying those future earnings toward meeting the requirement for program income they had earned as of the date of the Closeout Agreement. By way of analogy, choosing the 3 year option is like getting an extension on a specific homework assignment. It does not dismiss the obligation to complete future homework assignments.

Grantees must continue to report on program income received before and after closeout to ensure continuing affordability requirements are met appropriately. More information on post-closeout program income is included at Section E.2 of this Guide.

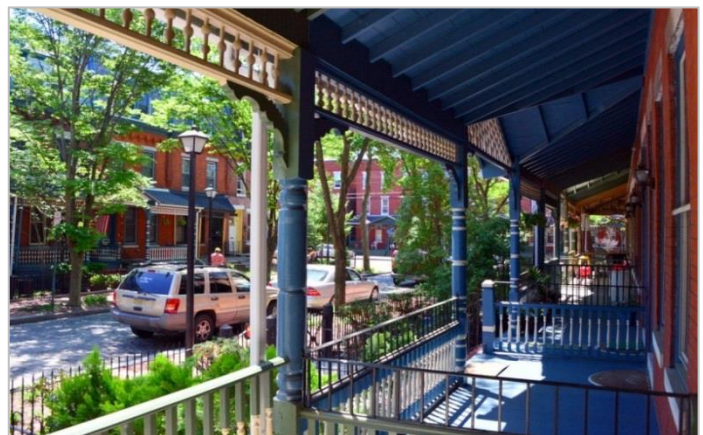


**Community Land Trust of Palm Beach County, FL – Before and After**

Source: HUD

### B.3. Activities are complete.

Prior to closeout, a grantee must complete all activities that received *any* funds from a grantee's *Line of Credit* and ensure that a national objective has been met for each of these activities. Therefore, activities funded with even one cent of *Line of Credit Funds* must be complete and have met a national objective. It is important to note that **physically completing an activity (for instance completing construction) does not necessarily mean the national objective has been met.** Activities funded *solely* with program income do not need to be complete or meet a national objective prior to grant closeout. NOTE: These activities funded solely with program income will eventually need to meet a National Objective.



Camden, NJ Historic Homes

Source: HUD

NSP activities associated with approved NSP-eligible uses are explained in Figure 2 below. Note that the NSP Closeout Notice added special economic development activities (24 CFR 570.203) as an eligible activity under Eligible Use B (Rehabilitation) and, for NSP1 only, under Eligible Use E (Redevelop Demolished or Vacant Properties). NSP1 funds used under Eligible Use E may be used for nonresidential purposes, while NSP2 and NSP3 must be used for housing. These activities are shown in **bold** and *italic* font below.

**FIGURE 2: NSP Eligible Uses and Correlated Activities**

<b>NSP-Eligible Uses</b> Eligible Property Type shown in <i>italicized, bold text</i> .	<b>Correlated Eligible Activities From the CDBG Entitlement Regulations</b> New eligible activities shown in <b>bold text</b> .
(A) Establish financing mechanisms for purchase and redevelopment of <b><i>foreclosed upon homes and residential properties</i></b> , including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers	<ul style="list-style-type: none"> <li>• As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.</li> <li>• Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.</li> </ul>
(B) Purchase and rehabilitate <b><i>homes and residential properties that have been abandoned or foreclosed upon</i></b> , in order to sell, rent, or redevelop such homes and properties	<ul style="list-style-type: none"> <li>• (b) Disposition,</li> <li>• (i) Relocation , and</li> <li>• (n) Direct homeownership assistance (as modified below);</li> <li>• 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</li> <li>• <b>24 CFR 570.203 Special economic development activities.</b></li> </ul>
(C) Establish and operate land banks for <b><i>homes and residential properties that have been foreclosed upon</i></b>	<ul style="list-style-type: none"> <li>• 24 CFR 570.201(a) Acquisition and</li> <li>• (b) Disposition.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</li> </ul>
(D) Demolish <b><i>blighted structures</i></b>	<ul style="list-style-type: none"> <li>• 24 CFR 570.201 <b>(a) Acquisition,</b></li> <li>• <b>(b) Disposition,</b> and</li> <li>• (d) Clearance for blighted structures only.</li> </ul>
(E) Redevelop <b><i>demolished or vacant properties</i></b> as housing  ** NSP1 funds used under eligible use (E) may be used for nonresidential purposes, while NSP2 and NSP3 funds must be used for housing.	<ul style="list-style-type: none"> <li>• 24 CFR 570.201(a) Acquisition,</li> <li>• (b) Disposition,</li> <li>• (c) Public facilities and improvements,</li> <li>• (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties,</li> <li>• Relocation, and</li> <li>• (n) Direct homeownership assistance (as modified below).</li> <li>• 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties.</li> <li>• 24 CFR 570.204 Community based development organizations.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost</li> <li>• <b>NSP1 Only: 24 CFR 570.203 Special economic development activities.</b></li> </ul>

Activities such as rehabilitation of privately-owned properties that are financed by means of escrow accounts, loan guarantees, or similar mechanisms are considered complete when the work has actually been completed and a national objective has been met. As discussed previously, it is important to note that **physically completing an activity (for instance completing construction) does not necessarily mean the national objective has been met.** For instance, under Eligible Use B, Acquisition-Rehabilitation, the reconstruction of a home that was demolished would be an eligible activity. This activity would be complete when the home is fully constructed and inspected and all costs have been incurred. The national objective is not met, however, until the property is rented or sold to a family whose household income is at or below 120% of area median income.<sup>4</sup> Section B.4 of this Guide provides more information on meeting national objectives.

With respect to the number of units projected to be completed in the Action Plan and the number of actual units completed, as reported in DRGR, HUD will be looking at whether grantees made reasonable attempts to achieve the proposed number of units. These determinations will be made on a case by case basis. For NSP2 grantees, special requirements apply based on grant agreement stipulations. More information on achieving unit completion requirements for NSP2 grantees is provided at Section B.6. of this Guide.

#### **B.4. A National Objective Has Been Met for Each Activity Funded by Line of Credit Funds**

All NSP funds must be used for eligible activities and uses AND meet one of the national objectives of benefiting low, middle, and moderate income residents listed below.

- **Housing Activities (LMMH):** Providing or improving permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income (or at or below 50% for the 25% Set-aside Requirement).
- **Area Benefit Activities (LMMA):** Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income. Most frequently demolition is an area benefit. Activities assisting businesses serving a target area, such as providing goods and services in an LMMA trade area can also be considered an area benefit.

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<sup>4</sup> See Appendix B for more examples of activities and national objectives.

- Limited Clientele Activities (LMMC): Serving a limited clientele, whose incomes are at or below 120% of area median income, for example funding for a homeless shelter or group home.
- Jobs Activities (LMMJ): Creating or maintaining jobs for persons whose incomes are at or below 120% of median income (LMMJ), for example funding for a home-based day care center. This objective was added through the NSP Closeout Notice.

Appendix B attempts to clarify the interplay between uses, activities, and national objectives.

### **B.5. Costs to be paid with NSP funds have been incurred.**

Prior to closeout, all costs to be paid with NSP funds must have been incurred, with the exception of closeout costs and costs resulting from contingent liabilities. These exceptions will be described in the closeout agreement pursuant to section Y paragraph (c) of the NSP Closeout Notice. Generally, costs are incurred when goods or services are received by the grantee or subrecipient. For example, when a contractor performs rehabilitation work in accordance with a contractual obligation, costs are incurred even if the grantee or subrecipient has not yet paid the contractor. Similarly, staff salary costs are incurred daily when the staff person performs the work, even though the person is not paid until later.<sup>5</sup>

Closeout costs and costs resulting from contingent liabilities that may be paid following closeout include, but are not limited to, audit costs, contractor disputes, or third-party claims against the grantee such as outstanding litigation. (Grantees with contingent liabilities should consult their assigned HUD office to determine how best to manage

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<sup>5</sup> The Office of Management and Budget's uniform administrative requirements and cost principles define "expenditures" as follows ( 2 CFR 200.34):

**Expenditures** means charges made by a non-Federal entity to a project or program for which a Federal award was received.

(a) The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied.

(b) **For reports prepared on a cash basis, expenditures are the sum of:** (1) Cash disbursements for direct charges for property and services; (2) The amount of indirect expense charged; (3) The value of third-party in-kind contributions applied; and (4) The amount of cash advance payments and payments made to subrecipients.

(c) **For reports prepared on an accrual basis, expenditures are the sum of:** (1) Cash disbursements for direct charges for property and services; (2) The amount of indirect expense incurred; (3) The value of third-party in-kind contributions applied; and (4) The net increase or decrease in the amounts owed by the non-Federal entity for: (i) Goods and other property received; (ii) Services performed by employees, contractors, subrecipients, and other payees; and (iii) Programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.

these liabilities.) Grantees may draw down funds from DRGR to be set aside in a separate account until the resolution and payment of these costs. Figure 3 provides examples of costs that may be paid with NSP funds following closeout.

Note that future monitoring as well as land bank maintenance and stewardship is not a contingent liability. Other funds, such as program income, need to be identified and budgeted to maintain and eventually dispose of land bank properties. Further, Line of Credit funds that had been reserved previously for administration cannot be carried over for use following closeout.

**FIGURE 3: Eligible Closeout Costs**

Eligible Closeout Costs
<ul style="list-style-type: none"><li>▪ Audit Costs</li><li>▪ Third Party Claims</li><li>▪ Administrative Costs related to audit or third party claims</li><li>▪ Outstanding Attorney Fees</li></ul>

#### **B.6. Other Grant Responsibilities and Regulations Have Been Carried Out.**

HUD and the grantee will need to ensure that other responsibilities of the grantee under the grant agreement and applicable laws and regulations have been carried out satisfactorily or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance.<sup>6</sup> For instance, grantees with outstanding monitoring concerns or audit findings will not be able to close their grant until these concerns are resolved.

Some responsibilities and regulations are unique to each of the programs (NSP1, 2, and 3). Program considerations include, but are not limited to, the following:

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<sup>6</sup> For the online Code of Federal Regulations, see [www.ecfr.gov](http://www.ecfr.gov).

### *NSP2 Unit Performance Measure*

Under NSP2, grantees are expected to either return a minimum of 100 abandoned or foreclosed homes back to productive use or otherwise eliminate or mitigate the homes' negative effects on the stability of the target area.

In the event the grantee did not meet this standard, the grantee must be able to demonstrate that the grantee had conducted due diligence in advance of the project, and the grantee must be able to document that it made good faith efforts to achieve this goal. The grantee's final quarterly performance report in DRGR must include a narrative description of the good faith efforts made by the grantee as well. The mitigation of the negative effects and the stabilization that occurred as a result of any NSP investments should be part of the ongoing monitoring of the target area market and physical conditions conducted by the Lead Member of the NSP2 consortia.

### *NSP2 Action in Target Area*

The grantee must show that it worked in all of the Census Tracts proposed in its application and/or subsequent amendments.

It may also be necessary to amend the Action Plan to align the target area with actual projects. The process for changing census tracts is the same as making standard Action Plan amendments. The grantee will need to retain the minimum needs score, publish for the comment period, etc. For more detailed guidance, NSP 2 grantees should refer to the NSP Policy Alert- Guidance on Amendment Procedures, which was released on April 3, 2014. HUD will determine whether such changes are appropriate.

### *Green and Energy Efficiency Requirements Differ by Program*

NSP2 grantees must be able to demonstrate compliance with notice and grant agreement requirements as well as what is stated in the grantee's NSP2 application. For NSP3 grantees, the 2010 Unified NSP1 and NSP3 Notice<sup>7</sup> in Subpart I describe the requirements for green and energy efficiency actions under NSP3.

Grantees must be able to demonstrate that these features have been included in all subject projects. Inspection reports should contain this information as well. Additionally, green performance measures should be fully reported in DRGR.

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<sup>7</sup> 75 Fed. Reg. 64328 (October 19, 2010).



### *NSP2 and NSP3 Demolition Restriction*

NSP2 and NSP3 grantees must be able to demonstrate that no more than 10% of their grants were expended on demolition.

In cases where a waiver was requested and granted, the waiver, along with all grant-related correspondence, should be included in the grantee's files. Additionally, in completing the Closeout Checklist the dates of any waivers must be listed.



**Miami Overtown Neighborhood - Before and After**

Source: HUD

## C. Preparing for Closeout - Top Things Grantees Can Do



### PREPARING FOR CLOSEOUT

- Reconcile Current Quarterly Performance Report in DRGR
- Complete all activities funded in whole or part by line of credit funds
- Confirm that 25% Set-aside Requirement has been met
- Confirm that all activities have met a national objective
- Obligate land-banked properties for uses that meet a national objective
- Review agreements with partners to ensure proper affordability provisions

While HUD has not set a deadline for grant closeout, grantees may begin preparing immediately to make the closeout process and long-term affordability requirements more manageable. The following are some tips that may assist grantees in closing their grants efficiently and effectively.

### C.1. Reconcile the Current Quarterly Performance Report in DRGR.

Grantees can begin reviewing quarterly report narratives and data in DRGR for completeness and accuracy. While submitting the final Quarterly Performance Report (QPR) in DRGR will be one of the last steps of the closeout process, the process of correcting any errors or omissions in the QPR can be time consuming depending on the extent of the corrections needed. Grantees should ensure that information in DRGR is reconciled against the grantee's own recordkeeping system. Grantees do not need to wait until the final QPR to make these corrections and are advised to start this process early because what appears to be a small correction can sometimes require reconciliation across multiple fields in DRGR. For instance, suppose a grantee has set up an activity under a Low, Moderate, and Middle Income (LMMI) project but in the end the activity benefits households at or below 50% of the area median income and, therefore, would help to satisfy the 25% Set-aside Requirement.<sup>8</sup> To correct this issue, the grantee may need to create and/or delete activities, revise vouchers to move them to the correct activity, and edit data in the QPR to correctly record the address, beneficiary, and expenditure data with the appropriate activity.

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<sup>8</sup> NSP redefines and supersedes the definition of "low- and moderate-income" of the CDBG program by allowing households whose incomes exceed 80% but are no greater than 120% of area median income to qualify for NSP funds. HUD will refer to this new income group as "middle income," but continue to use the CDBG definitions of "low-income" and "moderate-income." HUD will use the term "low-, moderate- and middle-income" (LMMI) to refer to the national objective of the program.

All errors must be corrected in the **current** QPR through a process called “prior period corrections.” HUD will not open past QPRs. See the link below for more information on prior period corrections.

[www.onecpd.info/resource/127/drgr-direct-benefit-data-entering-prior-period-corrections-for-breakout/](http://www.onecpd.info/resource/127/drgr-direct-benefit-data-entering-prior-period-corrections-for-breakout/)

When making prior period corrections in the current QPR, any changes should be highlighted in an email for the grantee’s HUD representative when the QPR is submitted for approval. The email should include an explanation of the revisions.

The bullets below discuss some steps a grantee may take to reconcile its QPR. Several Financial Reports can be generated in the reports module in DRGR that may be helpful when reconciling data in DRGR with grantee records (See Appendix C for a summary of DRGR reports.)

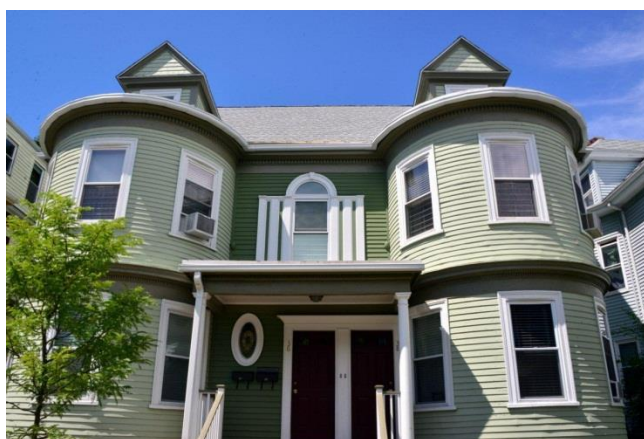
- Beneficiary information for each activity should be double-checked and any errors in the current QPR must be corrected. As noted above, HUD will not open past QPRs that contain errors. All errors must be corrected in the current QPR through a process called “prior period corrections.”
- Grantees should also ensure all expenditures and program income have been recorded in DRGR and that all other financial data is consistent with the grantee’s records.
- Narratives should be clear and concise and “tell the story” focusing on accomplishments.
- Verify that addresses are associated with the correct activity and the correct national objective. Use the “maintain addresses” function in DRGR to make corrections.

Along with the DRGR maintenance suggested above, grantees are advised to review their recordkeeping and documentation systems to make sure the necessary documents are easily accessible to demonstrate compliance with regulations, completion of activities, and meeting a national objective. Records management requirements are discussed in more detail at Section E of this Guide.

## C.2. Follow Activity Funding Streams - Line of Credit Funds or Program Income?

As described in Section B, activities funded with even one cent of funds from a grantee's Line of Credit must be complete and must meet a national objective prior to closeout. If an activity is funded with program income *only*, then, at the time of closeout, it does not have to be complete and have met a national objective. Eventually, however, the activity must meet a national objective. Consequently, grantees must identify those projects funded with any Line of Credit funds to ensure they meet closeout requirements and are properly reported in DRGR. DRGR Microstrategy reports are available to show uses of funds by activity to assist grantees in these efforts. (See Financial Report 7b for cumulative activity level financial information.)

In order to draw down the Line of Credit to near zero, grantees may wish to establish a revolving fund. Otherwise, program income must be used before drawing funds from the Line of Credit. For programs that are receiving substantial program income, this could delay closeout. It's important to note, however, that Revolving Loan Funds are not effective when a grantee operates



Boston, Dorchester Neighborhood

Source: HUD

only one primary activity, such as acquisition/rehabilitation. In this case, there is no advantage to setting up a revolving loan fund since there are no other activities to draw down the Line of Credit. For more information on Revolving Loan Funds with NSP, grantees should speak with their HUD Field Office and visit the following link:

[www.onecpd.info/resource/347/hud-nsp-policy-alert-guidance-on-revolving-funds-under-nsp/](http://www.onecpd.info/resource/347/hud-nsp-policy-alert-guidance-on-revolving-funds-under-nsp/)

## C.3. Confirm that the 25% Set-Aside Requirement Has been Met

As discussed in Section B, at the time of closeout, not less than 25% of the amount of the grantee's NSP1, NSP2, or NSP3 Line of Credit funds must have been expended to house individuals or families whose incomes do not exceed 50% of area median income. This amount may be made up of any combination of Line of Credit funds or program income. This requirement applies to NSP1, NSP2, and NSP3 and must be met for each grant individually in those cases where grantees may have multiple grants. HUD is

coordinating on the development of a DRGR report that will allow grantees to track progress toward meeting this requirement.

#### **C.4. Confirm that All Activities Have Met a National Objective.**

As discussed in Section B, each activity funded with Line of Credit funds needs to meet a national objective before a grant can be closed. NSP national objectives have been limited to housing activities (LMMH), area benefit activities (LMMA), and limited clientele activities (LMMC). The NSP Closeout Notice added one more - the jobs national objective (LMMJ) - to allow NSP1 activities that create or maintain jobs for persons whose household incomes are at or below 120% of area median income. Grantees can ensure a smoother closeout process by confirming in advance that each of its activities met the stated national objectives.<sup>9</sup>

#### **C.5. Obligate Land-Banked Property for Uses that Meet a National Objective.**

Long-term requirements apply to land-banked properties and are discussed in greater detail at Section E of this Guide. Ensuring that properties are obligated for a use that will meet a national objective will prepare grantees for meeting these requirements. A plan must be prepared that identifies the end use for which each property is obligated or committed within the 10-year period following the Grant Closeout Agreement. HUD is preparing additional guidance on land bank plans

#### **C.6. Disposition and Written Agreements**

*Disposition:* By making sure the disposition process is running smoothly, activities can be completed without delay. Land bank properties should be reviewed for disposition that can be completed prior to closeout. By minimizing the number of parcels in the land bank, grantees can reduce additional maintenance and administrative costs while helping to stabilize neighborhoods.

*Written Agreements:* Grantees should consider reviewing all written agreements to make sure that all commitments are identified and will be maintained. Program income and continuing affordability requirements are two main areas of consideration during and after closeout. Agreements grantees should review include:

- Developer and Subrecipient Agreements
- Long-term and/or continuing affordability enforcement instruments

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<sup>9</sup> See Appendix B for examples of activities and national objectives.



Information to confirm within these agreements includes:

- Dates and terms
- Legal descriptions
- Responsibilities of parties
- Use of program income
- How long-term or continuing affordability will be maintained during the compliance period.
- Whether provisions for other federal regulations, records retention, reporting, and property inspections are clear and complete.

Any required changes may be made through a written amendment signed by all parties to the agreement. Further, this would be a good time to establish a log of these agreements, which may help grantees in completing the required Management Plan for Continued Affordability, which is included in the grantee's closeout package and contains the real property inventory and continuing affordability terms. This document is discussed more in Sections D and E.

## D. Completing the Closeout Process



### COMPLETING THE CLOSEOUT PROCESS

- HUD and Grantee jointly determine closeout criteria are met following Readiness Check
- HUD sends Closeout Notification Package to Grantee
- Grantee prepares and submits Closeout Package to HUD
- HUD reviews Closeout Package and coordinates signing of Closeout Certification
- Grantee submits final QPR to HUD
- HUD and Grantee execute Closeout Agreement
- HUD cancels unused portion of NSP grant award

The NSP closeout process includes multiple steps. Grantees work closely with their HUD Field Office representatives to coordinate the exchange of information. However, technical assistance will be available from the onset to ease the process and ensure proper completion of tasks. Grantees must communicate with their HUD representatives in preparation for closeout and must submit a technical assistance (TA) request for a readiness check review through the One CPD Portal (<https://www.onecpd.info/technical-assistance/>) prior to submitting a closeout package to HUD.

Once the readiness check request is assigned to a TA provider, the TA provider will contact the grantee’s field office to inform the HUD representative that the TA provider and grantee are engaged in the review. During the readiness check, TA providers will work with grantees to identify whether closeout criteria have been met and whether the grantee is prepared to commence the formal closeout steps with HUD. Depending on the needs of the grantee, additional on-call technical assistance may be provided to help prepare the grantee for closeout or guide grantees through the closeout steps.

To submit a request for a readiness check or any technical assistance, grantees will click on “Request Technical Assistance.” Grantees will then be prompted to login in. Once logged in, the grantee must complete information about the organization that will receive technical assistance, choose NSP as the applicable program, and provide a description of the assistance being requested. See Figure 4 below.

**FIGURE 4: Technical Assistance Request Screen at [www.onecpd.info/technical-assistance/](http://www.onecpd.info/technical-assistance/)**

☐ EDI: Economic Development Initiative

☐ HOME: HOME Investment Partnerships Program

☒ NSP: Neighborhood Stabilization Program

☐ RC/EZ: Renewal Communities and Empowerment Zones

☐ Section 108 Loan Guarantee Program

☐ VHPD: Veterans Homelessness Prevention Demonstration

☐ ESG: Emergency Solutions Grants

☐ HOPWA: Housing Opportunities for Persons With AIDS

☐ OCR Rural Innovation

☐ RHED: Rural Housing and Economic Development

☐ Section 4 Guarantee Recovery Fund

**Overall Need for Technical Assistance**

\*Please describe your need for technical assistance. If the request is not clear, you will be contacted for additional information. If this information is not provided within two weeks, your request will not be approved.

Be sure to include the following in your request:

1. A detailed description of what you need help with;
2. A description of why you need help;
3. An explanation of what the help will allow you to accomplish;
4. List the primary point of contact is for this request (name, email, phone) if different than person submitting the request;
5. If the request is for training, please describe the type of training requested and why it is needed; and
6. Indicate if the agency and/or political leadership is supportive/open to receiving help and making needed changes in staffing, program design, etc.

5000 characters left

Requests for TA may be made at any time during the closeout process and may include assistance with:

- understanding closeout criteria to ensure all criteria are met;
- preparing the documentation required for closeout;
- reviewing documentation prepared by the grantee for closeout; discussing recordkeeping needed to substantiate information provided in the closeout package; and

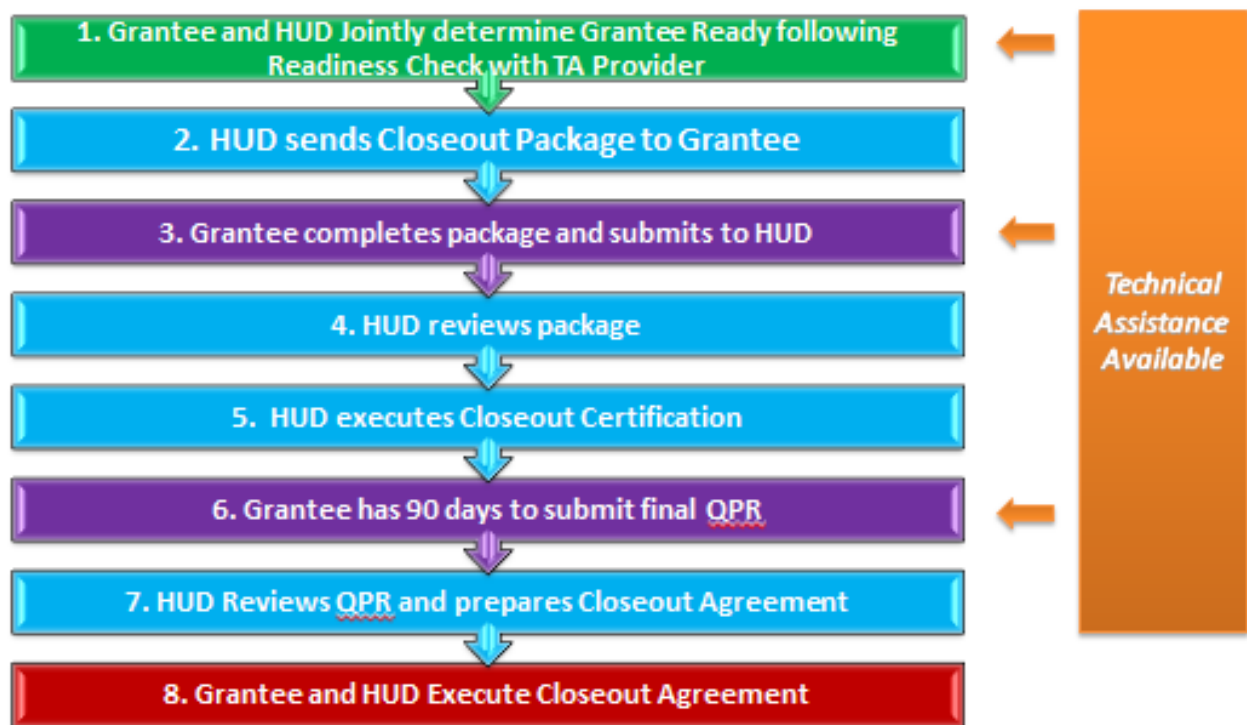


- reconciling data and information in DRGR and correcting the QPR.

Requesting TA will help grantees and HUD ensure that the closeout package provided to HUD is accurate and complete. A well organized and thorough system for record keeping will enable grantees to demonstrate compliance with NSP requirements, if requested by HUD at a later date.

Each closeout step is described more fully below and illustrated in Figure 5.

**FIGURE 5: Closeout Steps**



#### **D.1. Grantee and HUD Determine Jointly that the Closeout Criteria Have Been Met.**

HUD Field Offices and grantees will work cooperatively to determine that closeout criteria have been met. Considerations may include, but are not limited to:

- Amounts in the grantee's Line of Credit;
- Status of activities;
- Program income receipts; and
- The quality of DRGR reports.

This will be a fluid process in which HUD and grantees decide through conversation that the grantee is ready for closeout. Either HUD or the grantee may initiate this discussion, though HUD will make the decision to proceed to closeout and will consider the

outcomes of the grantee's readiness review. HUD will request a Readiness Check from a technical assistance provider to ensure that the grantee has its records in order prior to sending a closeout notification package to the grantee.

## **D.2. HUD Sends Closeout Notification Package to Grantee**

Upon determining that a grantee is prepared for closeout, HUD will issue a closeout notification package that includes a letter similar to the form at Appendix D (Closeout Notification Letter) informing the grantee that the closeout process has commenced and to provide information on the next steps that need to be taken.

A Grantee Closeout Certification, the NSP Management Plan for Continued Affordability and a Closeout Checklist will accompany the Closeout Notification Letter. Also, the Letter will include the following information:

- *Grant number to be closed* - As noted previously, each NSP grant must be processed under a separate closeout agreement.
- *The balance of unused Line of Credit funds* - As discussed, HUD will work with grantees to closeout grants at a point in time when the Line of Credit funds have been used to the greatest extent possible.
- *A general statement that program income generated from the use of NSP funds continues to be treated as program income*- See additional information on program income below in Section E.2.
- *A list of required documents to be submitted for review*- The Closeout Notification will require grantees to submit the closeout package described in the next step at Section D.3.
- *Provisions related to any special circumstance of the grant closeout*. Special circumstances will be determined on a case by case basis.

See the Appendix 5 Attachment A in the Closeout Instructions for this letter template.

## **D.3. Grantee Prepares and Submits Closeout Package to HUD**

The grantee prepares the closeout package and submits it to HUD. To ease this process, grantees should begin reviewing the materials in advance, organizing files, and addressing some of the items listed in Section B of the Guide. As discussed above, TA is

available to provide guidance in preparing the closeout package. The closeout package consists of the documents listed below.

- *Closeout Checklist (see Appendix E)* – The closeout checklist includes questions that allow the grantee and HUD to determine whether all program requirements have been met prior to closeout. This Guide includes the checklist form as well as an annotated version of the checklist that provides guidance to grantees at Appendix F. The annotated checklist may be used in conjunction with this guide and the materials on the NSP Resource Exchange for additional guidance. [www.oncpd.info](http://www.oncpd.info)
- *An inventory of any real property and equipment purchased with Grant Funds*- Grantees must compile and submit a list of any real property and equipment titled to the grantee at closeout that were purchased with grant funds. The grantee should be able to demonstrate ownership of this property through proper documentation.

With respect to equipment purchased with grant funds, it is necessary to keep a record of the item in accordance with the requirements of 2 CFR Section 200.313 (d)(1). The record will include a description of the item, serial number or other identification number, source of property, name of title holder, acquisition date and cost, use and condition of the item, insurance, and any ultimate disposition data including the date and sale price. Grantees must maintain records of the equipment for 3 years after disposition.<sup>10</sup> For those items that are not *by definition* equipment, such as supplies or materials, grantees and subrecipients must follow local or state requirements regarding tracking acquisition, condition, disposition, etc.<sup>11</sup> This distinction results in an increased administrative burden for equipment, due to the increase in liability if the item is damaged, destroyed, stolen, etc. Therefore, grantees are required to keep a record and track the use and location of the item to avoid misuse.

#### CLOSEOUT MATERIALS

Grantees shall submit the following materials (Closeout Package) to their HUD Field Offices following receipt of the Closeout Notification Letter:

- Closeout Checklist (See form at Appendix D)
- Inventory of Real Property purchased with grant funds
- Management Plan for Continued Affordability (See template at Appendix F)
- Land bank plan that includes a list of all NSP properties in the Land Bank at the time of closeout
- Closeout Certification

To be completed following HUD's review of the Closeout Package:

- Final QPR
- Closeout Agreement

<sup>10</sup> 2 CFR 200.333(c)

<sup>11</sup> See definitions for "equipment" and "supplies" at 2 CFR 200.33 and 2 CFR 200.94.

- *Management Plan for Continued Affordability (see Appendix G)* - Grantees must complete a Management Plan for Continued Affordability (Management Plan). The template for the Management Plan is at Appendix G of this Guide. Grantees may also submit an Excel spreadsheet with a column for each of the following categories: Grantee Name, Grant Number, Responsible Organization, Description of Affordability (Resale, Recapture, Rental or Other) Property Address, DRGR Activity #, Start of Affordability Period, End of Affordability Period, or a DRGR report or reports with the same information. This may entail a separate report for each responsible organization.



Chicago, Pullman Neighborhood Source: HUD

The Management Plan requires the grantee to certify that the appropriate mechanism is in place to ensure affordability requirements for NSP properties as defined in the 2010 Unified NSP1 and NSP3 Notice<sup>12</sup> or the NSP2 NOFA.<sup>13</sup> Grantees must identify which properties are covered by resale, which are covered by recapture, and which are covered by another approach. Other approaches may include rent restrictions for rental properties. As noted above, property information must include the address, DRGR activity number, and dates of the start and end of the affordability period.

- *Land Bank Plan*- If the grantee has assisted a land bank with NSP funds, the grantee must submit a plan detailing how the land bank will meet the 10-year maximum land holding requirement of Section II.E.2.d of the Unified NSP Notice and Appendix I, Section E.2.d of the NSP2 NOFA. A list of any real property held in the land bank should be included in the plan along with addresses for these land-banked properties. The 10-year period will begin on the execution date of

<sup>12</sup> 2010 Unified Notice, p. 64328, B. Requirement (3) (a).

<sup>13</sup> NSP2 NOFA, Appendix I (B) (1).

the Closeout Agreement. For more guidance on land banks and the land bank plan see Section E.3.

- *Closeout Certification*- A partially completed copy of the NSP Closeout Certification (see Appendix H) must be signed and returned with the closeout package. HUD will then complete and execute the certification following its approval of the closeout package.

When the grantee, and TA provider if applicable, is satisfied that the closeout materials are accurate and complete, the grantee will submit its closeout package to its HUD Field Office.

#### **D.4. HUD Reviews Closeout Package and Coordinates Signing of Closeout Certification**

HUD will complete its review of the contents of the closeout package and discuss any concerns with the grantee. Each review will be different and additional material may be requested as part of this review. Some of the information that HUD may use as it reviews the grantee's closeout package to confirm and clarify the information submitted, includes:

- *Applicable NSP Substantial Amendment or NSP2 NOFA Application, DRGR Action Plan, Additional Amendments*
- *DRGR Reports or Financial Status Reports.* Examination of each NSP activity to ensure the grantee has drawn down all funds linked to that activity from DRGR. If the grantee has drawn down its entire grant amount and no other specific action is required, grant closeout may proceed.
- *Relevant NSP Audit Reports and Monitoring Letters.* Review of files to determine if any unresolved monitoring or audit findings and unaddressed citizen complaints remain. Unresolved monitoring findings may result in a delay to the closeout process. To assist in answering any inquiries from HUD, it is helpful if the grantee has readily available access to Office of Inspector General and local audits and responses to any findings, monitoring reports and responses to any findings or concerns in its own files.
- *Line of Credit.* Check to determine if the grantee has any remaining funds in the Line of Credit. If there are any remaining funds, they will be cancelled through the closeout process.

Upon confirming that the closeout package is accurate and complete, HUD will complete and execute the closeout certification returned in the grantee's closeout package. HUD will notify the grantee of the date of execution. Within 90 days of this date, the grantee must submit its final QPR.

#### **D.5. Grantee Submits Final QPR to HUD.**

Within 90 days of HUD's execution of the Certification, the grantee must submit its final Quarterly Performance Report in DRGR. If the grantee has already submitted its final performance report, no additional report is required to be submitted. If an acceptable report is not submitted, a review of the grantee's activities may be conducted by HUD.

Grantees do not have to wait for a quarterly reporting deadline to submit the final QPR. As noted in Section C.1., grantees must reconcile their DRGR reports by completing a thorough review of the information in DRGR against their own records to ensure all beneficiary information, program income receipts, expenditure reports, other financial data such as budget and disbursement amounts, and narratives are accurate and complete. Grantees are not required to submit a paper copy of their reports with the closeout package. Reports are submitted through DRGR only. Also note that any corrections should be made in the most current QPR only. Past QPRs will not be corrected. Further, HUD is developing a new report in DRGR that grantees and HUD Field Offices can use to help determine readiness for closeout and to assist in their review of closeout documentation.

#### **D.6. HUD and Grantee Execute Closeout Agreement.**

Based on satisfactory information provided in the final QPR, HUD will prepare a closeout agreement in the form of the document attached as Appendix I to this Guide. Each Closeout Agreement will be tailored to specific grantee conditions. HUD field offices will follow their standard procedures for the grantee and HUD to sign the Closeout Agreement. The date that HUD executes this agreement is the official date that the grant is closed out.<sup>14</sup>

#### **D.7. HUD Cancels Any Unused Portion of NSP Grant Award**

Upon signing the Closeout Agreement, HUD will cancel and return to the U.S. Treasury any unused portion of the grantee's remaining Line of Credit funds, as shown in the

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<sup>14</sup> It should be noted that indicating that a grant is complete in the Disaster Recovery Grant Reporting system (DRGR) does not mean that the grant is closed. A grant will not be considered closed until the Closeout Agreement is signed by HUD.

signed Closeout Agreement. This does not include Program Income, which will remain available for use by the grantee in its local account. HUD will work with grantees who have met the expenditure deadlines to allow them to spend their remaining Line of Credit funds to the greatest extent possible prior to closeout. The grant shall be considered closed on the date that the appropriate HUD official executes the Closeout Agreement.

#### **D.8. Grantee's Next Single Audit Includes Previously-Unaudited Costs**

Grantees must include any previously-unaudited costs in their next single audit performed in accordance with OMB Circular A-133. Costs of the audit must be included in the Closeout Agreement if paid with NSP funds. The grantee may be required to repay HUD any disallowed costs based on the results of the audit or on additional HUD reviews provided for in the Closeout Agreement.

#### **D.9. Grantee Ensures Long-Term Requirements are Met**

Grantees must ensure compliance with the requirements listed in Section E below.

### **E. Complying with Requirements Post Closeout- Ongoing Considerations**



#### **COMPLYING WITH REQUIREMENTS POST CLOSEOUT**

- Internal policies and procedures to ease long-term administration
- Income generated following closeout
- Use of Land Banks
- Use of DRGR and IDIS
- Reporting during Affordability Period
- Records Management and Retention
- Flood Insurance
- Change in Use
- Environmental Reviews
- Loan Loss Reserve Fund

Grantees are responsible for ongoing compliance with the use of NSP funds and for ensuring affordability of NSP-funded properties. Requirements are summarized below, but grantees should carefully review the applicable regulations and notices as well as any special provisions contained in their Closeout Agreement.

#### **E.1. Internal Policies and Procedures to Ease Long-Term Administration**

It would be helpful for grantees to draft policies for post-closeout administration and generally create systems for tracking compliance with these requirements. These tools



will make long term compliance more manageable throughout the course of staff turnover and the passage of time especially for activities that are only performed periodically.

For instance, policies and procedures may include:

- detailed information on when and how to conduct monitoring during the affordability period;
- how to use the Management Plan for Continued Affordability to monitor long term obligations;
- internal accounting and/or record keeping procedures that may be unique to NSP;
- what information should be maintain for annual reporting and how to complete annual reports;
- where, how, and for how long records should be retained; and
- specific guidelines for land banks and revolving loan funds.

## **E.2. Income Generated Following Closeout**

HUD will not take back program income at closeout and will work with grantees to avoid disrupting the flow of program income. Grantees will continue to use income in compliance with NSP rules and may earn additional program income that must be reported annually. This means that new construction and land banks (not eligible in CDBG) will continue to be an eligible use of program income after closeout. Further, beneficiaries may continue to include households with incomes up to 120% AMI. Program income will be tracked on the same cycle as the CDBG Consolidated Plan in order to simplify planning. Other requirements for use of program income following closeout vary depending on NSP program and grantee type. This is detailed in Figure 6 below.

Income considerations for NSP1 and NSP3 state and entitlement grantees and NSP2 state and entitlement grantees who are members of an NSP2 Consortium subject to a consortium funding agreement include:

- Income generated for the duration of the grantee's participation in the NSP program shall be considered program income and used for NSP-eligible activities that meet a national objective.
- If program income generated from all sources does not exceed \$25,000 in a program year for entitlement grantees and state grantees, the grantee shall utilize the funds for administration or include the funds in another CDBG program activity.
- If the program income generated exceeds \$250,000 per year, the 25% Set-aside Requirement must be met.

Income considerations for NSP3 Non-entitlement Grantees with NO CDBG grant open at closeout and NSP2 Consortium Non-Profit Lead Agencies or Members and NSP2 Non-Profit Direct Grantees include:

- Income received prior to closeout must meet all NSP requirements.
- Income received during the first five years following closeout must be used for NSP-eligible activities that meet a national objective. Other cross-cutting federal requirements do not apply. If income is earned from the disposition of NSP-assisted real property or loans, then the activity funded by that income must meet a national objective. Income must be reported annually to HUD.
- Income received five years or more from the date of the closeout agreement will be considered “**miscellaneous revenue.**” Although these funds are not subject to ongoing NSP or CDBG program requirements, HUD encourages nonprofit grantees to use the funds in the same manner.

**FIGURE 6: Treatment of Income Following Closeout**

NSP GRANTEE IDENTITY	POST CLOSEOUT PROVISIONS				
	Income Type	Income under \$25,000 per year	Income Exceeds \$25,000 per year	Income Exceeds \$250,000 per year	Period of Reporting on Program Income
<b><i>Entitlement and State</i></b> <ul style="list-style-type: none"> <li>• NSP1 Entitlement or State Grantee</li> <li>• NSP2 Entitlement or State Grantee, Consortium Lead Agency or Member</li> <li>• NSP3 Entitlement or State Grantee</li> </ul> <b><i>Non-entitlement (local government) with OPEN State CDBG grant at time of closeout</i></b> <ul style="list-style-type: none"> <li>• NSP3 Non-entitlement Grantee</li> </ul>	Program Income	Use income for general administrative costs to ensure continued affordability of NSP units OR add to grantee's CDBG program income receipts (24 CFR 570.500(a)(4))	Use income for activities that are NSP eligible and meet national objective.  For states, this figure is lower than CDBG and is the <u>aggregate of all revenues</u> received by the state and all subrecipients.	Must meet 25% Set-aside Requirement.  <i>Meeting 25% set-aside not required under \$250,001</i>	Report for as long as program income is available  Annual Reporting DRGR/IDIS  Program Income will be aligned with the Consolidated Plan cycle for CDBG funds
<b><i>Non-entitlement (local government) with NO CDBG grant open at closeout</i></b> <ul style="list-style-type: none"> <li>• NSP3 Non-entitlement Grantee</li> </ul> <b><i>Nonprofit</i></b> <ul style="list-style-type: none"> <li>• NSP2 Consortium Non-Profit Lead Agency or Member</li> <li>• NSP2 Non-Profit Direct Grantee</li> </ul>	Restricted Miscellaneous Revenue for first 5 years.	Program Income <u>received before closeout</u> must meet all NSP requirements. <u>Program Income received for five years after closeout</u> must be for NSP-eligible activity and meet NSP National Objective. No cross-cutting requirements apply (e.g. environmental).  After five years, income is unrestricted miscellaneous revenue with no further requirements.		No restrictions	Report annually for five years from closeout.

### E.3. Use of Land-Banked Properties

NSP Eligible Use C allows NSP funding to be used for land banks for foreclosed homes and residential properties. Land banks are governmental or non-profit entities created to acquire, manage, maintain, and repurpose foreclosed properties. Land banks may assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. The role a land bank plays in a community is usually dependent on the capacities of the local government, nonprofit and developer industries within the locality, and the relevant needs that exist. When land banks acquire property, they must make a number of choices regarding property re-use, in addition to a number of choices with respect to property acquisition, disposition, re-use, and other policies and procedures.

The Closeout Agreement will contain provisions for the identification of any program assets. This includes a list of real property held by a land bank and a plan documenting how the 10-year maximum land holding requirement will be met as required by the Unified NSP Notice. The date of the execution of the Closeout Agreement by HUD will establish the beginning of the 10-year period to obligate property in a land bank for a specific, eligible use. It is helpful for the land bank inventory and plan to contain the following information, at a minimum:

- a list of all properties included in a land bank including address and description;
- the definition of the specific use for which each property is intended to be obligated; and
- the projected timeframe for disposition.

Any property held in a land bank subsequent to grant closeout will be subject to future monitoring for compliance with the 10-year time limit requirement. DRGR or IDIS will be used to demonstrate that a property land banked at closeout has been obligated or otherwise committed.

The land bank plan should be viewed as the community's strategy for achieving the best use for every property. This means that the market potential should be evaluated objectively and that the land bank must have a realistic strategy for selling or otherwise disposing of each property. Most land banks aim to be self-supporting, so the strategy should estimate potential income to offset

#### MONITORING LAND BANKS

Land banks using NSP funds must design their programs to ensure that NSP properties are transferred or otherwise re-used within the 10-year period following closeout. The long-term nature of the land bank's responsibilities dictates that a land bank should have a regular – at least annual – process to review the status of:

(1) all properties in the land bank inventory; and

(2) all properties that have been sold by the land bank subject to performance conditions.

maintenance and marketing expenses. In many years, however, income will not cover expenses, so the plan should include a fallback provision, such as receiving government support or providing other services for a fee. Land banks that have limited prospects for self-sustaining operations might consider disposing of the properties prior to the 10-year deadline. The special criteria for land bank disposition on the following page may offer new possibilities. Grantees should consult the NSP Demolition and Disposition Policy Alert (March 2013) link here:

[www.onecpd.info/resource/2888/hud-nsp-policy-alert-guidance-on-nsp-disposition-and-demolition/](http://www.onecpd.info/resource/2888/hud-nsp-policy-alert-guidance-on-nsp-disposition-and-demolition/)

#### ROLES OF LAND BANKS

The role of a public or non-profit sector land bank will vary widely depending on the housing and real estate market conditions in their community. Land banks must assess their development strategy by carefully considering market conditions and promoting property use that helps to alleviate blight and stabilize neighborhoods.

Markets run the gamut from strong to weak. In the strongest markets, properties that come on the market typically sell quickly for prices that are usually more than the 'replacement cost' of the homes; that is, the cost to build a similar home on a vacant lot. In the weakest markets, properties may not sell at any price.

HUD is also developing new supporting information for land banks that will include webinars and written guidance. Grantees with particularly challenging situations should also consider requesting NSP Technical Assistance at [www.onecpd.info](http://www.onecpd.info) to analyze their markets, understand their realistic options, and define a workable plan to maintain, market and dispose of their land banked properties.

All land-banked properties must have a use that meets a national objective. Generally speaking, they must meet a national objective for acquisition and another national objective for the use after disposition. In many cases the *acquisition and maintenance* of land-banked properties as part of an area wide effort to stabilize a neighborhood can meet a national objective as an area benefit (LMMA) for acquisition. The land-banked properties can be obligated specifically for housing (LMMH), public facilities (LMMA), housing for limited clientele (LMMC) or special economic development activities (LMMJ) as subsequent uses after disposition.

The NSP Closeout Notice describes several new means of satisfying the requirement. The changes to Eligible Use D, Demolition now include as eligible uses Acquisition and Disposition. This will allow land banked properties that have been acquired and demolished as part of a clearance program to meet a national objective at closeout if there is no subsequent use. This would be the alternative to



**Highland Park, MI Infill**

Source: HUD

allowing the properties to remain in a land bank after closeout. However, land bank properties that have been demolished and are disposed of subsequent to closeout must meet a national objective. Any property may be disposed of if its subsequent use meets an NSP national objective. If the use is not an eligible NSP activity, a source of funds other than NSP may be used to meet a national objective. The Figure 7 below provides examples of eligible disposition activities and corresponding NSP national objectives.

**FIGURE 7: Disposition Examples**

	Eligible Activities		National Objectives	Examples
Eligible Use B	Housing		LMMH/LH25	Rehabilitate multi-family or single-family housing
	Disposition for Special Economic Development		1. LMMJ 2. LMMA	1. Create in-home day care center with new jobs 2. Long term lease of land for corner grocery store in target area
	Disposition for Ineligible activities		1. LMMA 2. LMMC	1. Donate to non-profit to develop community garden 2. Lease building for neighborhood senior center
Eligible Use C	Housing		LMMH/LH25	Rehab multi-family or single-family housing units
	Disposition (as an end use)		LMMA	Side lot in area with comprehensive disposition
	Disposition for Ineligible activities		LMMJ	Discounted sale of property to be used for a hair salon that creates new jobs
Eligible Use D	Disposition (as an end use)		LMMA	Sell or donate to neighbor as side lot
	Disposition for Ineligible activities		LMMA or LMMJ	Donate land for local business development
Eligible Use E	NSP1	Housing	LMMH/LH25	Construct new multi-family or single-family housing
		Public Facilities	LMMC	Homeless shelter
		Disposition for Special Econ Development	LMMA or LMMJ	Build a parking lot for a grocery store
		Disposition for Ineligible activities	LMMA or LMMJ	Lease to a for-profit to develop a shopping center
	NSP2 & NSP3	Housing Activity only	LMMH/LH25	Renovate or build new multi-family housing

After grant closeout, land banked property must be obligated or otherwise committed for a specific use that supports neighborhood stabilization. Properties can meet one of the following special land bank criteria or otherwise meet a national objective in a manner consistent with the NSP Closeout Notice. The property is:

- Owned by a local government or non-profit entity and identified under a Consolidated Plan approved by HUD for use as a CDBG-eligible public improvement such as parks, open space, or flood control.
- Owned by a community land trust to create affordable housing.
- Transferred to and committed for any other use in the grantee's CDBG program, included in an annual Action Plan, subject to all CDBG regulations and no longer part of the NSP program.
- Designated for affordable housing in accordance with HERA and under development by an eligible development entity which has control of the site and



has expended predevelopment costs. Included in a redevelopment plan that has been approved by the local governing body.



**Detroit's Historic Boston Edison Neighborhood**  
Source: HUD

*Note that the land trust option only requires that the property be committed to use as affordable housing, not that the housing has proceeded to development.*

Land banks can use NSP program income to acquire new property after closeout, but must dispose of it within the 10-year period beginning on the date of the Closeout Agreement. Any NSP-assisted properties remaining in the land bank 10 years after the date of grant closeout shall revert entirely to the CDBG program and must be immediately used to meet a national objective or disposed of in accordance with CDBG use of real property requirements at 24 CFR 570.505.

Most of the properties that a land bank acquires are individual vacant residential properties, and usually single family houses or lots. The threshold decision a land bank has to make with each structure it acquires is whether to keep the structure intact, or demolish it. On the preservation side, shorter term options include sale of the house essentially as is, with only cosmetic repairs required, or if more extensive work is required, sale after rehabilitation.

Figure 8 describes some actions a grantee may need to take before and after closeout in managing land bank activities.

**FIGURE 8: Land Bank Action Examples: Pre- and Post- Closeout**

PRE-CLOSEOUT LAND BANK ACTIONS	POST-CLOSEOUT LAND BANK ACTIONS
<ul style="list-style-type: none"><li>• Develop and refine land bank inventory and plan</li><li>• Consider land bank management software- visit <a href="http://neocando.case.edu">http://neocando.case.edu</a> for example</li><li>• Review Acquisition policy if still acquiring property- ensure purchases meet mission</li><li>• Develop maintenance plan- include boarding up, lawn care and trash pickup</li><li>• Develop maintenance budget- include maintenance, disposition costs, fees, and taxes.</li><li>• Develop marketing plan for proposed uses</li></ul>	<ul style="list-style-type: none"><li>• Market Land Bank Properties</li><li>• Manage redevelopment plans to prepare for disposition (for example, re-zoning or re-platting to combine small lots into larger buildable lots)</li><li>• Dispose of properties according to policies and procedures of land bank</li><li>• Maintain inventory</li><li>• Conduct inspections</li><li>• Maintain properties</li></ul>

#### **E.4. Use of DRGR and IDIS**

Grantees are expected to continue to report annually, in the DRGR system, only the status of activities funded with program income that were open as of closeout, any receipts of program income following closeout, and affordability information. Entitlement grantees will eventually be transitioned to the Integrated Disbursement Information System (IDIS) once the system is adapted for NSP. Nonprofits and non-entitlement communities that do not have access to IDIS will continue to use a component of DRGR to provide reports. Guidance on reporting will be issued separately as the systems transition. Entitlement and state grantees will report on the same schedule as their Consolidated Plan cycle.

#### **E.5. Reporting During Affordability Period**

All NSP grantees, including nonprofits and non-entitlement units of local government must report annually on continued affordability restrictions on NSP assisted properties. Grantees or their designated responsible organizations are charged with ensuring that continued affordability requirements are met for the duration of the term of affordability. Grantees will need to report on continued affordability annually in DRGR or IDIS.<sup>15</sup> Affordability terms may vary, depending on the grantee's Substantial Amendment or Action Plan and among strategies and unit types.

<sup>15</sup> Note: The January 17, 2014 enactment of the Omnibus Spending bill ended the reporting requirements in FederalReporting.gov.

As discussed in Section D, a template for a Management Plan for Continued Affordability is included at Appendix G or the grantee may use an excel spreadsheet that includes all required information. The two main methods of ensuring continued affordability are Resale and Recapture. The administration of these methods is very different, and grantees should follow the provisions of their Substantial Amendment or Action Plans as well as the content of their written agreements, loan documents, liens and covenants.

Along with the Management Plan for Continued Affordability, the grantee will need a system for ensuring that the NSP-assisted homes continue to be the principal residence of the eligible beneficiaries. Grantees should consider adopting policies and procedures for ensuring compliance with continued affordability requirements.

Continued affordability reporting for rental units will be required as well as ownership units. Rental properties must be made available to income-eligible residents only for the duration of the affordability period. Rents must be restricted to the affordable amounts established by the Action Plan or Substantial Amendments. Grantees are required to verify the household income prior to occupancy to determine eligibility.

#### **E.6. Records Management and Retention**

As grantees close out their NSP grants, it is critical that an organized system be in place to manage existing records and to prepare for incoming documents that will be used to update inventories. Records management requirements are outlined in 24 CFR 570.506, 42 USC 12707(a)(4) and in *Community Development Block Grant Program (CDBG) - Guide to National Objectives and Eligible Activities for Entitlement Communities*.<sup>16</sup> All of these requirements vary slightly so **it is recommended to ensure compliance with all requirements that all records be maintained and accessible for at least five years after the date of closeout**, but real estate documents, including continued affordability instruments, must be kept for the entire period of compliance.

#### **E.7. Flood Insurance**

Grantees must ensure that flood insurance coverage is maintained for property located in any area identified by FEMA as having special flood hazards. The grantee is responsible for assuring that flood insurance under the National Flood Insurance Program is obtained and maintained by any affected property owners indefinitely (24 CFR 58.6.)

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<sup>16</sup> *CDBG Guide to National Objectives and Eligible Activities for Entitlement Communities* may be found at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/library/statguide](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/library/statguide)

## E.8. Change in Use

The NSP Closeout Notice requires that the Closeout Agreement include provisions for the use of NSP-assisted properties in accordance with the change in use principles in 24 CFR 570.505(a). These rules apply if a change in use takes place within five years of closeout.

If a grantee spent *less than* \$25,000 on acquisition and/or improvements, and the initial acquisition (and clearance, if applicable) met a national objective, then the change of use provision would not apply. It is possible that a property can then pass out of the program and no other NSP regulations apply, but these cases must be cleared through the grantee's Field Office.

If a grantee spent *more than* \$25,000 on acquisition and/or improvements and cannot continue to meet an LMMI national objective after it has demolished or disposed of the property, then the property or interest must be sold at the current fair market value (FMV). Sale proceeds would be considered a return of grant funds subject to all NSP requirements, provided however that 10% of these funds cannot be used for administrative costs and these funds are not subject to the 25% Set-Aside Requirement.

No matter what the NSP investment, if the grantee never met a national objective, the grantee must reimburse the program for the full cost of the activity. In addition, citizen participation requirements will be triggered in cases of a change in use within five years of closeout of a property that has had over \$25,000 in NSP funds invested.

## E.9. Environmental Reviews

Prior to the drawdown of any NSP funds, environmental reviews are required for most grantees and there should be an Environmental Review Record (ERR). Documentation of this information should be kept on file for the duration of the records retention period. Further, NSP1 and NSP3 state and entitlement grantees and NSP2 state and entitlement grantees who are members of an NSP2 Consortium subject to a consortium funding agreement must continue to comply with cross cutting federal requirements when using NSP funds and program income after closeout, including environmental review requirements.

Following closeout, NSP2 nonprofit grantees and NSP3 non-entitlement grantees without an open CDBG grant from a state, do not need to complete environmental reviews after closeout because they are no longer subject to federal cross-cutting requirements.

### E.10. Loan Loss Reserve Fund

The Substantial Amendment or Action Plan should contain the full description for this activity, and it would be helpful if there is a set of policies and procedures in place guiding the operation of the Loan Loss Reserve Fund. Grantees must be able to access details on each loan guaranteed, including the amount of funds held, public records information, and original buyer qualification documents. Documentation must follow the compliance period of the NSP subsidy



Santa Ana, CA

Source: HUD

instruments as well as the first mortgage lender. The methodology used to establish the Loan Loss Reserve should be reviewed periodically to determine the current default rates, with adjustments made if needed in the funding level of the reserve. It is possible that grantees had fewer loans default than their methodology estimated. This would mean that the grantee would have funds in the loss reserve that were never used to cover defaulted loans. When the grantee closes out the Loan Loss Reserve fund, the remaining funds will be subject to all applicable statutory requirements governing the NSP program. A Loan Loss Reserve Fund is in place to guarantee loans made- hence the loan fund would remain open until all loans so guaranteed have been satisfied. Since this may not occur for several years after the grant has closed out, the grantee must have in place a plan for the remaining funds, which will be subject to all NSP rules.

## GLOSSARY

**25% Set-Aside Requirement** – not less than 25% of the amount of the grantee’s NSP1, NSP2, or NSP3 grant allocation must have been expended to house individuals or families whose incomes do not exceed 50% of area median income.

**Disaster Recovery Grant Reporting system (DRGR)** – system used by disaster recovery and NSP grantees to draw down funds from Treasury and to report information to HUD, such as beneficiary data, program income, and expenditures.

**Equipment** – means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. See also §§200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies. (2 CFR 200.33)

**Expenditure – means** charges made by a non-Federal entity to a project or program for which a Federal award was received.

- a. The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied.
- b. For reports prepared on a cash basis, expenditures are the sum of: (1) Cash disbursements for direct charges for property and services; (2) The amount of indirect expense charged; (3) The value of third-party in-kind contributions applied; and (4) The amount of cash advance payments and payments made to subrecipients.
- c. For reports prepared on an accrual basis, expenditures are the sum of: (1) Cash disbursements for direct charges for property and services; (2) The amount of indirect expense incurred; (3) The value of third-party in-kind contributions applied; and (4) The net increase or decrease in the amounts owed by the non-Federal entity for: (i) Goods and other property received; (ii) Services performed by employees, contractors, subrecipients, and other payees; and (iii) Programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.

**Grant Amount** – is defined as the amount of the original allocation.

**Incurred Costs** – costs are incurred when goods or services are received by the grantee or subrecipient.

**Land Banks** – are governmental or non-profit entities created to acquire, manage, maintain, and repurpose foreclosed properties.



**Line of Credit Funds** – NSP grant funds held in the grantee’s Treasury account, which are drawn through the Disaster Recovery Grant Reporting (DRGR) system

**LMMI** – NSP redefines and supersedes the definition of “low- and moderate-income” of the CDBG program by allowing households whose incomes exceed 80% but are no greater than 120% of area median income to qualify for NSP funds. HUD will refer to this new income group as “middle income,” but continue to use the CDBG definitions of “low-income” and “moderate-income.” HUD will use the term “low-, moderate- and middle-income” (LMMI) to refer to the national objective of the program.

**National Objective** – every NSP activity must meet one of the objectives established by HUD. See Appendix B for a description of activities and national objectives.

**Program Income** – is revenue generated directly by activities carried out with NSP funds and held in a grantee’s local account.

**Quarterly Performance Report or QPR** – DRGR report completed quarterly that reports on grant and activity progress, including financial and beneficiary data.

**Supplies** – means all tangible personal property other than those described in 2 CFR §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. See also 2 CFR §§200.20 Computing devices and 2 CFR 200.33 Equipment. (2 CFR 200.94)

## Appendices

Appendix A - 25% Set-Aside Worksheet

Appendix B - Activities and National Objectives

Appendix C - DRGR Reports Summary Descriptions

Appendix D - Closeout Notification Letter (Form)

Appendix E - Closeout Checklist (Form)

Appendix F - Closeout Checklist – Annotated

Appendix G - Management Plan Template for Continuing Affordability Requirements (Form)

Appendix H - Closeout Certification (Form)

Appendix I - Closeout Agreement (Form)

## Appendix A - 25% Set-Aside Worksheet - ANNOTATED

### 25 percent set aside worksheet for NSP Closeout Agreement

Grantee Name:

Grantee Grant Number:

Date of Closeout Execution:

This is the minimum amount that must be expended toward 25% Set-Aside activities that have met a national objective prior to closeout.

This is the amount in the grantee's original Line of Credit.

**A  
100%**

**B  
25%**

		A 100%	B 25%
1	Original Grant	<b>Total NSP Grant</b>	<b>25% of total grant</b>
2	Program Income (PI)	<b>All PI as of date Closeout Agreement Execution</b>	<b>25% of All PI as of date Closeout Agreement Execution</b>
3	Total	<b>Total of amounts in (A,1) and (A,2)</b>	<b>Total of amounts in (B,1) and (B,2)</b>
4	Total Amount Grantee Expended and has met National Objective towards 25 percent set aside		<b>This amount must be more than or equal to the amount in (B,1) before the grantee can close out</b>
5	Amount left to expend to meet the 25 percent set aside for Program Income		<b>Subtract the amount in (B,4) from the amount in (B,3) it may be a negative number</b>

This is the amount of Program Income earned as of the date of the Closeout Agreement.




This amount may be made up of a combination of Line of Credit funds and program income.

Grantee may choose to work toward expending this amount over the 3 years following the date of the Closeout Agreement IF it has met the required amount in B,1.


## Appendix B- Activities and National Objectives



This chart illustrates the most common NSP projects, sometimes composed of several eligible activities and sometime several eligible uses. The chart aims to clarify the often-complex interplay among eligible properties, uses, and activities all of which must result in activities that meet a national objective.					
NSP Eligible Uses	Eligible Property	Eligible Activities	Specific Activity	National Objective	Meeting the National Objective
(A) Financing Mechanisms		NOTE: All Activities in this eligible use finance activities in the categories below. Follow the instructions for those activities.			
(B) Acquisition Rehabilitation	<i>Abandoned or Foreclosed Homes and Residential Properties</i>	Acquisition, Homebuyer Counseling <sup>1</sup>	Acquire a property and take no further action except to rent or sell it	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI
		Rehabilitation, Homeownership Assistance, Homebuyer Counseling <sup>1</sup>	Rehabilitate a property that the grantee acquired through tax foreclosure in the past. NOTE: The grantee may not reimburse itself for the cost of the property with NSP funds, but can be repaid through sale proceeds	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI

		Acquisition, Rehabilitation, Homeownership Assistance, Homebuyer Counseling <sup>1</sup>	Acquire and Rehabilitate a property and rent or sell it	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI
		Acquisition, Rehabilitation, Relocation, Homebuyer Counseling <sup>1</sup>	Acquire and Rehabilitate a rental property that has a Bona Fide Tenant and rent or sell it	LMMH ✓	Protect the tenant. Rent or sell the residential property to a family at or below 120% AMI
		Acquisition, Rehabilitation, Homeownership Assistance, Homebuyer Counseling <sup>1</sup>	Provide Financial Assistance to rehabilitate and/ or acquire an NSP eligible home. This assistance can be directly to the homebuyer or other interested party	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI
		Acquisition, Rehabilitation, Homeownership Assistance, Homebuyer Counseling <sup>1</sup>	Reconstruct a property on the footprint of the original structure that was demolished	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI
		Acquisition and Disposition	Purchase and briefly maintain an acquired property in a static state until a beneficiary occupies the property. Disposition can include maintenance, marketing and closing costs.	!	Another action must be taken for the property to meet a National Objective <sup>2</sup>

		Special Economic Development Activities <sup>3</sup>	Rehabilitate a property that the grantee acquired through tax foreclosure in the past. Use the property for a business that creates or retains jobs.  NOTE: The grantee may not reimburse itself for the cost of the property with NSP funds, but can be repaid through sale proceeds.	LMMJ 	Create or retain a job or jobs. 51% of the jobs must be for people at or below 120% AMI
		Acquisition and Special Economic Development Activities <sup>3</sup>	Acquire a property and then use the property for a business that creates or retains jobs	LMMJ 	Create or retain a job or jobs. 51% of the jobs must be for people at or below 120% AMI
		Acquisition, Rehabilitation and Special Economic Development Activities <sup>3</sup>	Acquire and Rehabilitate the property to use for a business that creates or retains jobs	LMMJ 	Create or retain a job or jobs. 51% of the jobs must be for people at or below 120% AMI
(C) Land Banks	Foreclosed Homes and Residential Properties	Acquisition	Acquire a foreclosed property	!	Simply acquiring a property does not meet a National Objective; another action must be taken, typically under Uses B or E <sup>2</sup>



		Disposition	Maintain the property in a static state for up to 10 years. Disposition can include board-up, minor repair, marketing, and related costs.	!	Another action must be taken for the property to meet a National Objective <sup>2</sup>
		Disposition	Sell or donate the property	LMMA 	Sell or donate a residential property for a use that benefits an area where at least 51% of the residents are at or below 120% AMI
		Acquisition, Disposition	Acquire a number of foreclosed properties in a strategic manner; maintain the properties in a GOOD CONDITION for up to 10 years.	LMMA !	The property has met a national objective for acquisition, but has not been disposed of yet, another action must be taken, typically under Uses B or E <sup>2</sup> OR the property may be sold out of the program at fair market value following the appropriate rules and regulations

(D) Demolition	<i>Blighted Homes and Residential Properties ("Blighted" is defined by state or local law.)</i>	Clearance	Demolish a structure that meets the local definition of "Blighted" when the grantee has the legal authority to demolish these structures	LMMA 	Remove a structure that poses a detriment to the NSP target area where at least 51% of the residents are at or below 120% AMI
		Clearance	The grantee demolishes a number of structures that meet the local definition of "Blighted" in a concentrated neighborhood demolition plan.	LMMA 	Improve a target area where at least 51% of the residents are at or below 120% AMI through a comprehensive plan to remove dangerous or blighting structures.
		Clearance	Demolish a structure that meets the local definition of "Blighted" and with the intention of carrying out another activity.	!	Another action must be taken for the property to meet a National Objective <sup>2</sup>
		Acquisition <sup>3</sup>	Acquire a blighted property	!	Simply acquiring a property does not meet a National Objective; another action must be taken <sup>2</sup>
(E) Redevelopment	<i>Demolished or Vacant Properties</i>	Acquisition	Acquire a property with the intent to demolish with use D and then redevelop	!	Another action must be taken for the property to meet a National Objective <sup>2</sup>

		Acquisition, New Construction, Homeownership Assistance, Homebuyer Counseling <sup>1</sup>	Acquire vacant land and construct a new structure on it	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI
		New Construction, Homeownership Assistance, Homebuyer Counseling <sup>1</sup>	Reconstruct a new structure on the site of a structure that the grantee demolished	LMMH ✓	Rent or sell the residential property to a family at or below 120% AMI
		Acquisition, Construction of Public Facilities	FOR NSP1 FUNDS ONLY: Construct a public facility or improvement	LMMA ✓	The public improvement must provide a benefits to NSP target area where at least 51% of the residents are at or below 120% AMI
		Disposition	Briefly maintain the property in a static state until a beneficiary occupies the property, fund expenses related to seller closing costs	!	Another action must be taken for the property to meet a National Objective <sup>2</sup>
		Acquisition, New Construction and Special Economic Development Activities <sup>3</sup>	FOR NSP1 FUNDS ONLY: Acquire vacant land, construct a new structure on it and use the structure for a business that creates or retains jobs	LMMJ ✓	Create or retain a job or jobs. 51% of the jobs must be for people at or below 120% AMI

Program Administration and Planning		General Administration Activities	General Management, oversight and coordination (limited to 10% of total grant and Program Income)	–	Does not need to directly meet a National Objective, because it will support an activity that will
<i>Footnotes</i>	<sup>1</sup> All Prospective Homeowners need to receive at least 8 hours of housing counseling, this cost is typically considered an activity delivery cost				
	<sup>2</sup> The property must be eligible under the new activity				
	<sup>3</sup> This Activity is new as of the 12/27/12 Federal Register Notice (Closeout Notice)				

## **Appendix C- DRGR Reports Summary Descriptions**

[ATTACHED]

## DRGR Microstrategy Reports

ADMIN REPORTS	
Admin Rept01a: GRANT - DRGR Grant Status and CPD Contact	This report shows grant status, including drawdown and obligation blocks. It also includes CPD contact for each grant. If info needs to be updated, please send to DRGR_Help mailbox.
Admin Rept02a: ACTPLN - Grant and DRGR Action Plan Review Status	This report shows whether grant is blocked from drawdowns as well as the date of the last DRGR AP approval and the current status of the DRGR AP.
Admin Rept02b: ACTPLN - Activity Status with Start and End Dates	Performance data in this report is aggregated measure types so the numbers are not meaningful in themselves. It is only include as an indicator of whether accomplishments were entered or not.
Admin Rept02c: ACTPLN - HUD Reviewer Comment History - Activity Level	This report shows the DRGR Action Plan comments made by HUD staff by review date
Admin Rept03a: QPR - Report Status	This report will only show the status of QPRs that have been added by grant. Grantees must add each QPR as they are due.
Admin Rept03b: QPR - Exec Summary Progress Narrative	This report shows the overall progress narrative at the grant level by QPR
Admin Rept03c: QPR - Reviewer Comments	This report shows HUD review comments at the QPR and activity level
Admin Rept04a Modified: USERS - Grantee DRGR Users Account Status	This is a fully prompted report that can be used as a template for building other reports.
Admin Rept04a: USERS - Grantee DRGR Users Account Status	This is a master list of all grantee DRGR user accounts.
Admin Rept04b Modified: USERS - Grantee Users with System Role and Certification Status	This is a fully prompted report that can be used as a template for building other reports.
Admin Rept04b: USERS - Grantee DRGR Users with System Role and Certification Status	This report shows system role and recertification status for grantee users. Grantee admin users must be recertified by CPD representatives and other grantee users are certified by grantee admin users. Recertifications are required every 6 months.
Admin Rept04c: USERS - Grantee DRGR Users Access by Grant	This report will only show users assigned to grants by grantee system administrators. This step must be done when new grantee user accounts or grants are added to DRGR.
Admin Rept04d: USERS - HUD Field Office User Certification Status	This is a status report of the certification status of HUD DRGR user accounts assigned to a field office.
Admin Rept05a: ADMIN - Responsible Organization List	This organization is a master list of responsible organizations and associated data by grantee.
Admin Rept05b: ADMIN- Oversight Events - Event Level	This is a fully prompted report that can be used as a template for building other reports.
Admin Rept05c: ADMIN- Oversight Events - Topic Level	This is a fully prompted report that can be used as a template for building other reports.



<b>FIN REPORTS</b>	
Fin Rept01a: ACTPLN- Grant Budgets by National Objective - Activity Level	This report can be used to create a master list of activities for each grant.
Fin Rept01b: ACTPLN - DRGR Grant Activity Budgets by Project	This report shows activities and their budgets by project. NOTE: Since this is an activity level report, project budgets will repeat on each activity row within the project.
Fin Rept01c: DRAWS- Budget and Disbursements by National Objective - Grant Level	This is a summary report at the grant level. It will only show amounts budgeted and disbursed from activities entered into DRGR.
Fin Rept02a: DRAWS- Voucher Status by Line Item and QPR Begin Date- Grant Funds	This report shows the status, approval dates, and LOCCS submit date for each voucher line item using GRANT FUNDS by project, activity, and responsible organization. The report now includes a dropdown for QPR BEGIN DATE and GRANT PROGRAM.
Fin Rept02b: DRAWS- Voucher Status by Line Item - Program Income	This report shows the status and approval dates for each voucher line item using program income by project, activity, and responsible organization.
Fin Rept02c: Voucher Revision Report - Grant Funds NP	This report shows the amount of funds distributed across activities on REVISED voucher line items for activities with grant funds. It includes creation and approval users/dates.
Fin Rept03: DRAWS - Voucher Status by Line Item - Grant Funds	This is a report showing the status and action dates of voucher line items (note: draws before Jan.1, 2009 are simulated from QPRs). SORTED BY VOUCHER AND VOUCHER ITEM #
Fin Rept04: DRAWS - Voucher Line Item Status by Project - Grant Funds	This is a report showing the status and action dates of voucher line items (note: draws before Jan.1, 2009 are simulated from QPRs) SORTED BY PROJECT and ACTIVITY #
Fin Rept05a: CUM - Program Income - Grant Level	This is a report showing data at the grant level program income disbursements recorded in the drawdown module and program income received across all QPRs (regardless of QPR status)
Fin Rept05b: CUM - Program Income - Activity Level	This report shows data at the activity-level: a) grant funds budgeted, b) grant fund obligations and approved grant and program income disbursements recorded in the drawdown module and c) program income received across all QPRs
Fin Rept05c: Receipts by Project and Activity	This report shows Receipts in the Drawdown module recorded for Program Income and RLFs. (Note: Receipts before Dec.3, 2011 are simulated PI Received amounts recorded in QPRs from before that date)
Fin Rept05d: Program Income Account Summary	This report shows the sum of activity budgets, obligations, program income received, and program income disbursed within each PI account. It does not include any activities not assigned to a PI account.
Fin Rept06: CUM - Fin Data - Grant Level	This report shows grant-level financial data entered or calculated by quarter. It includes grant funds and program income. Grant obligations entered from Jan 09 are updated amounts rather than incremental.
Fin Rept06b: CUM - NSP Financial Summ - Grant Level - LH25	This report shows a grant-level snapshot of financial activity for activities benefiting households below 50% AMI

Fin Rept07: CUM - Grant Funds Fin Summ - Project Level	This is a report showing data at the project level from the latest DRGR Action Plan and across all QPRs (regardless of QPR status) SORTED BY STATE, GRANT # and PROJECT #.
Fin Rept07b: CUM - Cumulative Data - Activity Level by Resp Org, Act Type and Nat Obj	This is a report showing financial data at the activity level from the latest DRGR Action Plan, from the drawdown module as of the date the report is pulled, and across all QPRs regardless of QPR status. W/ RESP ORG, ACT TYPE AND NAT OBJ.
Fin Rept07c: QPR - Fin Data by Activity and Quarter	This report shows activity-level financial data entered or calculated by quarter. This can be used to troubleshoot data entry errors across quarters. Report updated to include project # and title. QPRs only show if financial activity during quarter.
Fin Rept08a: CUM - Grant Funds Budget and Cumulative Data - Activity Level by Resp Org, Act Type and Nat Obj	This is a report showing data at the activity level from the latest DRGR Action Plan and across all QPRs (regardless of QPR status) W/ RESP ORG, ACT TYPE AND NAT OBJ
Fin Rept08b: CUM - Grant Funds Financial Summ - Activity Level by Project	This is a report showing data at the activity level from the latest DRGR Action Plan and across all QPRs (regardless of QPR status) SORTED BY PROJECT AND ACTIVITY #
Fin Rept09a: QPR - Fin Data by Quarter - Grant Level	This report shows grant-level financial data entered or calculated by quarter. Obligations entered since Jan 09 are updated amounts rather than incremental.
Fin Rept09b: QPR - Fin Data by Activity and Quarter	This report shows activity-level financial data entered or calculated by quarter. This can be used to troubleshoot data entry errors across quarters. Obligations entered from Jan 09 are updated amounts rather than incremental.

## PERF REPORTS

Perf Rept01: CUM - Projected vs Cum Totals for Performance Measure Sorted by Activity Number	This reports shows data from the latest DRGR Action Plan and all QPRs (regardless of QPR status) Note: Do not add performance measures across activity types
Perf Rept02a: CUM - Projected vs Cum Totals for Performance Measure Sorted by Resp Org and Activity Type	This reports shows data from the latest DRGR Action Plan and all QPRs (regardless of QPR status) Note: Do not add performance measures across activity types
Perf Rept02b: CUM - Projected vs Cum Totals for Performance Measure Sorted by Resp Org and Activity Type - NSP Only	This reports shows data from the latest DRGR Action Plan and all QPRs (regardless of QPR status) Note: Do not add performance measures across activity types
Perf Rept02c: QPR - Actual Accomplishments by Quarter	This reports shows data from each QPRs (regardless of QPR status) and can be used to troubleshoot data entry problems. Note: Do not add performance measures across activity types
Perf Rept02d: QPR - Actual Accomplishments by Quarter HH and HU Only	This reports shows household and housing unit data from each QPR (regardless of QPR status) and can be used to troubleshoot data entry problems. Note: Do not add performance measures across activity types
Perf Rept03: QPR - Addresses by Activity and Responsible Organization	This report is intended to show addresses across activities and QPRs. Each QPR normally only shows addresses entered in that report.
Perf Rept04a: ACTPLN - Beneficiary and Hsg Measure Types Selected - Activity Level	This report shows the types of beneficiary measures selected for an activity: Direct vs. Area; Census vs. Survey; Households vs. Persons; Housing Units; SF and/or MF
Perf Rept04b: ACTNPLN - Area Benefit Type Selected- Census vs Survey - Activity Level	If Area Benefit is selected as the Benefit Type, this report lists activities by whether CENSUS data has been manually selected in DRGR or summary data has been entered using the SURVEY method
Perf Rept05: ACTPLN - Area Benefit Census Method - Low Mod Calculations and CTBGs - Activity Level	If an activity has been designated as area benefit- census method, this report shows the summary calculation and a list of the census counties, places, tracts and block groups for each activity.
Perf Rept06: QPR - Direct Benefit Activities - Beneficiary Statistics by Household Type	For direct benefit activities, this report shows the distribution of households and/or persons by race/ethnicity and Hispanic status
Perf Rept09: ACTPLN - DREF Activity Budgets and Descriptions	This report shows activities under Ike only grants which have performance measures entered for DREF

## Appendix D- Closeout Notification Letter (FORM)

Dear \_\_\_\_\_:

SUBJECT: Grant Closeout and Recapture of Unspent Grant Funds **Neighborhood Stabilization Program (specify which NSP program)**  
Grant Number: xxxxxxxxx

[Insert name of jurisdiction] (hereinafter referred to as the “Grantee”) was awarded a Neighborhood Stabilization (NSP) [insert 1, 2 or 3] grant in the amount of [inset amount] pursuant to the [Housing and Economic Recovery Act of 2008, the American Recovery and Reinvestment Act of 2009 or the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010] on [date], also identified as grant number [insert grant number].

It appears that the activities are completed and the grant is ready for closeout. In accordance with the grant closeout procedures found in the Notice of Neighborhood Stabilization Program Closeout Requirements and Recapture, any unspent (name the grant program) funds remaining in the account of an expired grant period are to be recaptured. As of \_\_\_\_\_ our records indicate that your (name the grant program) grant has a remaining balance of \_\_\_\_\_.

In general, program income generated from the use of (name the grant program) funds continued to be treated as program income, subject to all of the applicable NSP regulations unless otherwise stated in the Notice of Neighborhood Stabilization Program Closeout Requirements and Recapture. In order to proceed with this grant closeout and recapture of the remaining funds, the following documentation should be submitted by the grantee.

- An inventory of any real property and equipment purchased with grant funds
- Relevant Sections of the enclosed “Neighborhood Stabilization Program Grantee Closeout Certification” signed by the grantee’s authorized representative
- A completed Management Plan for Continued Affordability
- A Plan detailing how any property in a land bank will meet the 10 year maximum land holding requirement Neighborhood Stabilization Program Management Plan for Continued Affordability. This plan should include a list of all NSP property in the Land Bank.
- Neighborhood Stabilization Program Closeout Checklist

The Grantee Closeout Certification has been partially-completed for your review and your signature confirms the accuracy of the information. HUD retains the right to monitor and follow up on monitoring and audit findings. In addition, the Department may recover disallowed costs for ineligible activities or actions in 24 CFR part 570, subpart I or O, or pursue other sanctions, if

**HUD Form 40177**

HUD determines that the information provided by the grantee was false, erroneous or did not meet statutory or regulatory requirements.

Please return the signed Certification and the other listed documents to our Office. If you have any questions, please contact your CPD Representative (**NAME/ CONTACT INFO**).

Sincerely,

Enclosure

CPD Director

## Appendix E- Closeout Checklist (Form)

### Neighborhood Stabilization Program Closeout Checklist

Jurisdiction Name _____	Grant Number _____
Official Contact Name _____	Telephone Number _____
Email Address _____	Fax Number _____

*For the purposes of expediting the grant closeout process, HUD asks that applicants submit the following checklist.*

#### 1. NSP Activities

- (i) Are any of the activities ineligible under the HERA, Recovery Act or Dodd-Frank Act (s) or published *Federal Register* Notices?

Yes ☐ No ☐ if yes, explain and specify which NSP program:

Explanation box
-----------------

#### 2. Expenditures

- (i) Is there evidence that no more than 10 percent of the grant amount and program income earned was spent on administration and planning?

Yes ☐ No ☐ if no, explain:

- (ii) Is there evidence that 25 percent set aside requirement has been met?

Yes ☐ No ☐ if no, explain:

Explanation box
-----------------



**3. Activities eligible and meet a national objective**

- (i) Do all activities meet a National Objective?  
Yes ☐ No ☐ if no, explain:
- (ii) Is there evidence that 100 percent of the grant amount principally benefitted persons of low, moderate and middle income (individuals or families whose incomes do not exceed 120 percent of AMI)?  
Yes ☐ No ☐
- (iii) Did grantee use more than 10 percent of its NSP2/NSP3 grant for demolition activities?  
Yes ☐ No ☐ N/A ☐ if yes, date(s) of waiver:
- (iv) Are all NSP-assisted homes occupied by income-eligible residents?  
Yes ☐ No ☐ if no, explain:
- (v) Did all NSP-assisted rental units meet the "affordable rents" standards?  
Yes ☐ No ☐ N/A ☐ if no, explain:
- (vi) Do all NSP assisted units have appropriate mechanisms in place to ensure compliance with the required minimum affordability period?  
Yes ☐ No ☐
- (vii) Do all rental projects meet the NSP proportional requirements of units occupied by income-eligible households or the CDBG criteria in 24 CFR 570.208(a)(3)?  
Yes ☐ No ☐ N/A ☐ if no, explain:
- (viii) Does the grantee have property(s) still held in a land bank? (NSP properties can be land banked for a maximum of 10 years after closeout.)  
Yes ☐ No ☐ If yes, are the properties logged into DRGR? Yes ☐ No ☐
- (ix) Does the grantee have a feasible plan to obligate each property in a land bank for redevelopment?  
Yes ☐ No ☐ N/A ☐ if no, explain:
- (x) Will the end use of the property still in a land bank meet a National Objective?  
Yes ☐ No ☐ N/A ☐ if no, explain:
- (xi) Does the grantee still have unused funds held in a Loan Loss Reserve?  
Yes ☐ No ☐ If yes, explain:
- (xii) **NSP2 only** - Did the grantee meet all energy efficiency improvement and sustainable development plans laid put in their application? (Factor 5 of the NSP2 NOFA included: green building standards, transit accessibility, re-use of cleared sites, deconstruction, sustainable development practices)  
Yes ☐ No ☐ N/A ☐ if no, explain:
- (xiii) **NSP2 only** - Did the grantee work in all of the census tracts provided as part of its target area in its application or amended application?  
Yes ☐ No ☐ if no, explain:
- (xiv) **NSP2 only** - Is there evidence that a NSP2 grantee has either returned a minimum of 100 abandoned or foreclosed homes back to productive use or otherwise eliminated or mitigated their negative effects on the stability of the target geography?  
Yes ☐ No ☐ N/A ☐ If no, did the grantee do its due diligence?

- (xv) **NSP3 only** - Did all gut rehabilitation or new construction of residential buildings up to three stories meet or exceed the Energy Star Qualified New Homes standard?  
Yes ☐ No ☐ N/A ☐ if no, explain:

Explanation box

#### 4. Program Income

- (i) Is there any program income on hand at the time the close out agreement is signed?  
Yes ☐ No ☐
- (ii) If yes, does the grantee understand that all rules and regulations that currently govern NSP Program Income will continue to apply to the funds on hand at the time of closeout?  
Yes ☐ No ☐

HUD Form 40179

#### 5. Monitoring and Audits

- (i) Does the grantee currently have an audit being performed on its grant funds?

- Yes ☐ No ☐ If yes, explain:
- (ii) Are there any open Audit Findings?  
Yes ☐ No ☐ If yes, explain:
- (iii) Did the grantee monitor review and/or audit subrecipients, state grant recipients and/or developers?  
Yes ☐ No ☐ If no, explain:
- (iv) Are there any open HUD monitoring findings?  
Yes ☐ No ☐ If yes, explain:

Explanation box

## 6. Reporting

- (i) Within 90 days of the execution by HUD of the closeout certification, will the final quarterly performance report (QPR) in DRGR be current and accurate?  
Yes ☐ No ☐ N/A ☐ If no, explain:
- (ii) Did the grantee report on the name, location, and contact information for the entity that carried out each activity?  
Yes ☐ No ☐ If no, explain:
- (iii) Does the RAMPS data system, as applicable, indicate that the environment review is complete?  
Yes ☐ No ☐ N/A ☐ If no, explain:
- (iv) Did the grantee maintain sufficient documentation about the purchase and sale amounts of each property to ensure compliance with applicable NSP regulations?  
Yes ☐ No ☐ If no, explain:

Explanation box

## 7. Certifications

- (i) Did the grantee adhere to all of the following certifications included in their NSP Substantial Amendment or NSP2 NOFA application?  
Yes ☐ No ☐ If no, explain:

**HUD Form 40179**

**States and Entitlement:**

Affirmative Furthering Fair Housing	<input type="checkbox"/>
Anti-displacement and Relocation Plan	<input type="checkbox"/>
Anti-lobbying	<input type="checkbox"/>
Authority of jurisdiction or State	<input type="checkbox"/>
Consistency with Plan	<input type="checkbox"/>
Acquisition and Relocation	<input type="checkbox"/>
Section 3	<input type="checkbox"/>
Citizen Participation	<input type="checkbox"/>
Following a Plan	<input type="checkbox"/>
Use of Funds	<input type="checkbox"/>
Excessive Force	<input type="checkbox"/>
Compliance with anti-discrimination laws	<input type="checkbox"/>
Compliance with lead-based paint procedures	<input type="checkbox"/>
Compliance with laws	<input type="checkbox"/>
Continued affordability	<input type="checkbox"/>

**Nonentitlement Local Governments or Nonprofit, Consortium (Not Led By an Entitlement Community):**

Affirmative Furthering Fair Housing	<input type="checkbox"/>
Anti-displacement and Relocation Plan	<input type="checkbox"/>
Anti-lobbying	<input type="checkbox"/>
Authority of jurisdiction	<input type="checkbox"/>
Consistency with Plan	<input type="checkbox"/>
Acquisition and Relocation	<input type="checkbox"/>
Section 3	<input type="checkbox"/>
Citizen Participation	<input type="checkbox"/>
Following a Plan	<input type="checkbox"/>
Use of Funds	<input type="checkbox"/>
Excessive Force	<input type="checkbox"/>
Compliance with anti-discrimination laws	<input type="checkbox"/>
Compliance with lead-based paint procedures	<input type="checkbox"/>
Compliance with laws	<input type="checkbox"/>
Continued affordability	<input type="checkbox"/>

Explanation box

**GRANTEE**

By: \_\_\_\_\_

Type name/ Grantee Authorized Representative's Signature

\_\_\_\_\_  
Date

**HUD Form 40179**

## Appendix F- Closeout Checklist – Annotated

**THIS DOCUMENT IS PART OF A DRAFT NOTICE AND IS NOT AN OFFICIAL, REQUIRED FORM UNTIL SUCH NOTICE IS PUBLISHED IN THE FEDERAL REGISTER. UNTIL THAT TIME THIS FORM REMAINS OPTIONAL.**

*This annotated version of HUD's closeout checklist provides additional guidance to NSP grantees. The Closeout Guide may be used in conjunction with the annotations to provide additional support. Explanations are provided in italic print following each question in the checklist.*

<b>Jurisdiction Name</b> _____	<b>Grant Number</b> _____
<b>Official Contact Name</b> _____	<b>Telephone Number</b> _____
<b>Email Address</b> _____	<b>Fax Number</b> _____

### Neighborhood Stabilization Program

## Closeout Checklist

For the purposes of expediting the grant closeout process, HUD asks that applicants submit the following checklist.

### 1. NSP Activities

- (i) Are any of the activities ineligible under the HERA, Recovery Act or Dodd-Frank Act (s) or published *Federal Register* Notices?

Yes ☐ No ☐ if yes, explain and specify which NSP program:

Explanation box
-----------------

*\*See Figure 2: NSP Eligible Uses and Correlated Activities in Closeout Guide.*

*The Substantial Amendment of the Action Plan adopted by the grantee identifies the eligible NSP1, NSP2, or NSP3 activities to be undertaken by the grantee, subrecipients and other partners. Any amendments made to change the boundaries of Areas of Greatest Need should be available for the closeout process.*

## 2. Expenditures

- (i) Is there evidence that no more than 10 percent of the grant amount and program income earned was spent on administration and planning?

Yes ☐ No ☐ **if no, explain:**

Explanation box

*DRGR reports provide the amount of funds from the line of credit that were drawn down for administration and planning. This amount should not exceed 10% of the original grant amount and any program income received. Supporting documentation of administration and planning expenses must be maintained for future audit and monitoring.*

- (ii) Is there evidence that 25 percent set aside requirement has been met?

Yes ☐ No ☐ **if no, explain:**

*No less than 25% of the grant amount and any program income must be used for housing activities that benefit individuals or families whose incomes do not exceed 50% of the area median income (25% Set-aside Requirement). In order to closeout the grant, however, the grantee must demonstrate that it has met this requirement with respect to the grant amount only. HUD encourages grantees to meet this requirement for program income at the time of closeout as well, but grantees have an option to close out their grant and demonstrate within 3 years of closeout that they have met the 25% Set-aside Requirement for program income earned as of the date of the*

*Closeout Agreement. Grantees that choose this option may use any combination of line of credit funds already expended and program income earned before or after the closeout. Grantees will use the 25% Set-aside Worksheet attached to the Closeout Agreement to document these amounts. It should be noted that choosing this option does not change any requirements applied to program income earned after the close out of the grant*

*DRGR reports provide the amount drawn down for activities that are identified as low-income activities that meet this requirement. Supporting documentation should be maintained for future audit and monitoring.*

### **3. Activities eligible and meet a national objective**

- (i) Do all activities meet a National Objective?

Yes ☐ No ☐ if no, explain:

*NSP-funded activities must meet the CDBG national objective of benefiting low, middle and moderate income residents in one of four ways: Housing (LMMH), Area Benefit (LMMA), Limited Low Moderate Income Clientele (LMMC), and Jobs (LMMJ). The Substantial Amendment or Action Plan identifies the national objective that will be met for each NSP activity. See Appendix \_\_ of the Closeout Guide for examples that demonstrate the interplay between activities and national objectives.*

- (ii) Is there evidence that 100 percent of the grant amount principally benefited persons of low, moderate and middle income (individuals or families whose incomes do not exceed 120 percent of AMI)?

Yes ☐ No ☐

*While DRGR reports summarize information on beneficiaries, the grantee should maintain documentation on all households served including income certification and information to substantiate activities that meet the LMMA and LMMJ national objectives. Sufficient documentation should be maintained for future audit and monitoring.*

- (iii) Did grantee use more than 10 percent of its NSP2/NSP3 grant for demolition activities?

Yes ☐ No ☐ N/A ☐ if yes, date(s) of waiver:



*The NSP2/NSP3 grantee must retain documentation to substantiate demolition expenses, including evidence indicating the dollar amount expended on demolition activities and property addresses. If a waiver was received, a copy of the waiver should be retained in the grantee's files along with all grant related correspondence. Sufficient documentation should be maintained for future audit and monitoring. Additionally, dates of all waivers must be listed on this checklist.*

(iv) Are all NSP-assisted homes occupied by income-eligible residents?

Yes ☐ No ☐ if no, explain:

*The grantee should maintain supporting documentation of income determinations made for all NSP-assisted households. Sufficient documentation should be maintained for future audit and monitoring.*

(v) Did all NSP-assisted rental units meet the "affordable rents" standards?

Yes ☐ No ☐ N/A ☐ if no, explain:

*The substantial amendment of the Action Plan contains the grantee's published definition of "affordable rents" and the continued affordability standards and enforcement mechanisms that will be applied to NSP activities. Sufficient documentation should be maintained that includes the rent schedule for NSP-assisted rental units and the method for ensuring continued affordability. See the Closeout Guide for discussions on continued affordability. Also, see the Unified NSP1 and NSP3 Notice (Unified NSP Notice), 75 Fed. Reg. 201 (19 October 2010; [https://www.onecpd.info/resources/documents/UnifiedNSP1NSP3Notice\\_101910.pdf](https://www.onecpd.info/resources/documents/UnifiedNSP1NSP3Notice_101910.pdf))*

(vi) Do all NSP assisted units have appropriate mechanisms in place to ensure compliance with the required minimum affordability period?

Yes ☐ No ☐

(vii) Do all rental projects meet NSP proportional requirements of units occupied by income-eligible households or the CDBG criteria in 24 CFR 570.208(a)(3)?

Yes ☐ No ☐ N/A ☐ if no, explain:

*Grantees may choose one of three methods to ensure that the proportion of the total cost of developing the project to be borne by NSP assistance is no greater than the*

*proportion of units in the project that will be occupied by income-qualified households. The grantee must select and use just one method for each project.*

- (viii) Does the grantee have property(s) still held in a land bank? (NSP properties can be land banked for a maximum of 10 years after closeout.)

Yes ☐ No ☐ if yes, are the properties logged into DRGR? Yes ☐ No ☐

*The Closeout Agreement must include a list of any real property held in an NSP-assisted land bank.*

- (ix) Does the grantee have a feasible plan to obligate each property in a land bank for redevelopment? Yes ☐ No ☐ N/A ☐ if no, explain:

*The Closeout Agreement must include a plan detailing how the land bank will meet the 10-year maximum land holding requirement of Section II.E.2.d of the Unified NSP Notice and Appendix I, Section E.2.d of the NSP2 NOFA. This plan must be submitted to HUD as part of the closeout package.*

- (x) Will the end use of the property still in a land bank meet a National Objective? Yes ☐ No ☐ N/A ☐ if no, explain:

*NSP-assisted properties may remain in land banks for no more than ten years after the date of the Closeout Agreement. This period is calculated beginning on the date of execution of the closeout agreement. The Closeout Notice requires that grantees obligate or otherwise commit land bank properties for a specific use that supports neighborhood stabilization. The Closeout Guide provides further information on how properties in a land bank or otherwise held by grantees may be considered obligated for redevelopment and meet a national objective at Section F.3.*

- (xi) Does the grantee still have unused funds held in a Loan Loss Reserve? Yes ☐ No ☐ if yes, explain:

*The Substantial Amendment of the Action Plan describes the loan loss reserve methodology that was used in setting up the activity. If unused funds are held in a*

*Loan Loss Reserve at closeout, this information will be helpful in explaining the balance and intent for disbursement. The Closeout Guide includes a discussion on loan loss reserves at Section F.11.*

- (xii) **NSP2 only** – Did the grantee meet all energy efficiency improvement and sustainable development plans laid out in their application? (Factor 5 of the NSP2 NOFA included: green building standards, transit accessibility, re-use of cleared sites, deconstruction, sustainable development practices) ? Yes ☐ No ☐ N/A ☐ if no, explain:

- (xiii) **NSP2 only** – Did the grantee work in all of the census tracts provided as part of its target area in its application or amended application?  
Yes ☐ No ☐ N/A ☐ if no, explain:

*The grantee must show that it worked in all of the Census Tracts proposed in its application and or subsequent amendments.*

*It may also be necessary to amend the Action Plan to align the target area with actual projects. The process for changing census tracts is the same as making standard Action Plan amendments. The grantee will need to retain the minimum needs score, publish for the comment period, etc. For more detailed guidance, NSP 2 grantees should refer to the NSP Policy Alert- Guidance on Amendment Procedures, which was released on April 3, 2014. HUD will determine whether such changes are appropriate.*

- (xiv) **NSP2 only**- Is there evidence that a NSP2 grantee has either returned a minimum of 100 abandoned or foreclosed homes back to productive use or otherwise eliminated or mitigated their negative effects on the stability of the target geography?  
Yes ☐ No ☐ N/A ☐ If no, did the grantee do its due diligence?

*In the event the grantee did not return 100 abandoned or foreclosed homes back to productive use or otherwise eliminate or mitigate negative effects on the stability of the target geography, the grantee must be able to demonstrate that due diligence had been undertaken in advance of the project and the grantee must document any good faith efforts made to achieve this goal. The grantee's final quarterly performance report in DRGR must include a narrative description of the good faith efforts made by the grantee as well.*

- (xv) **NSP3 only** - Did all gut rehabilitation or new construction of residential buildings up to three stories meet or exceed the Energy Star Qualified New Homes standard?  
Yes ☐ No ☐ N/A ☐ if no, explain:

Explanation box

*The NSP3 Action Plan should address Energy Star Qualified New Homes requirements. Sufficient documentation should be maintained for future audit and monitoring to demonstrate compliance.*

#### **4. Program Income**

- (i) Is there any program income on hand at the time the closeout agreement is signed?  
Yes ☐ No ☐
- (ii) If yes, does the grantee understand that all rules and regulations that currently govern NSP Program Income will continue to apply to the funds on hand at the time of closeout?  
Yes ☐ No ☐

*The Closeout Agreement will reflect the amount of program income on deposit in financial institutions at the time of the execution of the agreement as well as any program income currently held by subrecipients or consortium members. DRGR and Quarterly Performance Reports and local accounting systems must be reconciled with grantee records to reflect the amount of program income receipted and expended. See Section F.2. of the Closeout Guide for additional information on the treatment of program income following closeout.*

#### **5. Monitoring and Audits**

- (i) Does the grantee currently have an audit being performed on its grant funds?  
Yes ☐ No ☐ if yes explain:
  
- (ii) Are there any open Audit Findings?  
Yes ☐ No ☐ if yes explain:
  
- (iii) Did the grantee monitor review and/or audit subrecipients, state grant recipients and/or developers?  
Yes ☐ No ☐ if no explain:

(iv) Are there any open HUD monitoring findings?

Yes ☐ No ☐ if yes explain:

Explanation box

*Grantee's explanations to any question answered "yes" in this section should include a brief description of the audit or review conducted, the status of the audit or review, specific listing of any findings, and resolutions or ongoing actions being taken to resolve the findings.*

## 6. Reporting

(i) Within 90 days of the execution by HUD of the closeout certification will the final quarterly performance report (QPR) in DRGR be current and accurate?

Yes ☐ No ☐ ☐ N/A if no explain:

(ii) Did the grantee report on the name, location, and contact information for the entity that carried out the activity?

Yes ☐ No ☐ if no explain:

(iii) Does the RAMPS data system as applicable indicate that the environment review is complete? Yes

☐ No ☐ ☐ N/A, if no explain:

*Note that in the event the RAMPS system is no longer functional, please check N/A.*

(iv) Did the grantee maintain sufficient documentation about the purchase and sale amounts of each property to ensure compliance with applicable NSP regulations?

Yes ☐ No ☐ if no explain:

(v) **NSP2 and NSP3 Only-** Did the grantee report on the number of jobs created or retained for each activity carried out?

Yes ☐ No ☐ ☐ N/A, if no explain

Explanation box

*It is helpful at closeout for grantees to perform a detailed review and reconciliation of all information in DRGR, QPR, and FederalReporting.gov against its internal records to ensure that information provided to HUD is accurate and complete.*

## 7. Certifications

- (i) Did the grantee adhere to all of the following certifications included in their NSP Substantial Amendment or NSP2 NOFA application?  
Yes ☐ No ☐ if no explain:

### States and Entitlement:

Affirmative Furthering Fair Housing	<input type="checkbox"/>
Anti-displacement and Relocation Plan	<input type="checkbox"/>
Anti-lobbying	<input type="checkbox"/>
Authority of jurisdiction or State	<input type="checkbox"/>
Consistency with Plan	<input type="checkbox"/>
Acquisition and Relocation	<input type="checkbox"/>
Section 3	<input type="checkbox"/>
Citizen Participation	<input type="checkbox"/>
Following a Plan	<input type="checkbox"/>
Use of Funds	<input type="checkbox"/>
Excessive Force	<input type="checkbox"/>
Compliance with anti-discrimination laws	<input type="checkbox"/>
Compliance with lead-based paint procedures	<input type="checkbox"/>
Compliance with laws	<input type="checkbox"/>
Continued affordability	<input type="checkbox"/>

### Nonentitlement Local Governments or Nonprofit, Consortium (Not Led By an Entitlement Community):

Affirmative Furthering Fair Housing ☐

- Anti-displacement and Relocation Plan ☐
- Anti-lobbying ☐
- Authority of jurisdiction ☐
- Consistency with Plan ☐
- Acquisition and Relocation ☐
- Section 3 ☐
- Citizen Participation ☐
- Following a Plan ☐
- Use of Funds ☐
- Excessive Force ☐
- Compliance with anti-discrimination laws ☐
- Compliance with lead-based paint procedures ☐
- Compliance with laws ☐
- Continued affordability ☐

Explanation box

*The NSP grant agreement with HUD includes other responsibilities with which the grantee certified compliance. The grantee should maintain documentation on compliance with applicable laws and regulations. The Lead Member of the NSP2 Consortium is responsible for ongoing monitoring for compliance with Certifications included in the NSP Substantial Amendment or NSP2 NOFA Application.*

## GRANTEE

By: \_\_\_\_\_

Type name/ Grantee Authorized Representative's Signature

Date



## Appendix G- Management Plan Template for Continuing Affordability Requirements (FORM)

### Neighborhood Stabilization Program Management Plan for Continued Affordability

Grantee Name:

Grant Number:

Responsible Organization:

(USE A SEPARATE FORM FOR EACH RESPONSIBLE ORGANIZATION)

The Grantee hereby certifies that the above responsible organization will ensure that the appropriate mechanism is in place to enforce affordability requirements for NSP properties as defined in the October 19, 2010 Unified Notice (75 Fed. Reg. 64328, II.B.3.a) or the NSP2 NOFA (Appendix I, B.2.).

The activities listed below have their affordability requirements enforced by RESALE PROVISIONS as defined by 24 CFR 92.254(a)(5)(i): (PLEASE USE ATTACHED WORKSHEET IF MORE SPACE IS NEEDED)

Address	DRGR Activity #	Start of Affordability Period	End of Affordability Period

HUD Form 40181

The activities listed below have their affordability requirements enforced by RECAPTURE PROVISIONS as defined by 24 CFR 92.254(a)(5)(ii): **(PLEASE USE ATTACHED WORKSHEET IF MORE SPACE IS NEEDED)**

Address	DRGR Activity #	Start of Affordability Period	End of Affordability Period

The activities listed below have their affordability requirements enforced by RECAPTURE PROVISIONS as defined by 24 CFR 92.252(e): **(PLEASE USE ATTACHED WORKSHEET IF MORE SPACE IS NEEDED)**

Address	DRGR Activity #	Start of Affordability Period	End of Affordability Period

**HUD Form 40181**

The activities listed below have their affordability requirements enforced by OTHER PROVISIONS as defined below.

DEFINE METHOD HERE

Address	DRGR Activity #	Start of Affordability Period	End of Affordability Period

\_\_\_\_\_  
Grantee Authorized Representative's Signature

\_\_\_\_\_  
Typed Name of Signatory

\_\_\_\_\_  
Date

**NOTE:** Rather than submit the NSP Management Plan for Continued Affordability, a grantee may submit an excel spreadsheet with a column for each of the following categories: Grantee Name, Grant Number, Responsible Organization, Description of Affordability (Resale, Recapture, Rental or Other, for other provide an explanation), Property Address, DRGR Activity Number, Start of Affordability Period, End of Affordability Period; or a DRGR report or reports with the same information; this may entail a separate report for each responsible organization.

**HUD Form 40181**

**Attachment E Work Sheet (USE AS MANY AS NEEDED, BUT ONLY ONE FOR EACH METHOD AND RESPONSIBLE ORGANIZATION)**

[illegible]**HUD Form 40181**

## Appendix H- Closeout Certification (FORM)

### Neighborhood Stabilization Program Grantee Closeout Certification

Grantee Name:

Grant Number:

The Grantee hereby certifies that: (1) the activities as described in the approved (name the grant program) Substantial Amendment or NSP2 NOFA Application have been performed in accordance with the terms and conditions of the executed Grant Agreement and applicable statutory and regulatory requirements and that there are no known outstanding programmatic or financial issues; and (2) all data provided below fairly reflect costs and sources of funds of the (name the grant program) and are taken from HUD-approved reports and other project-related documents.

1. Grant amount authorized \$

2. Cumulative grant funds disbursed \$

(Grantee should draw down amounts for any final audit costs or unsettled third-party claims  
Any such amounts not subsequently disbursed must be immediately reimbursed to HUD.)

3. Grant funds recaptured \$

4. Balance of grant funds remaining \$

(These funds will be canceled by HUD in order for the funds to be returned to the U.S. Treasury.)

(Note: Grantees which spent funds for acquisition, rehabilitation or new construction through the Neighborhood Stabilization Program are required to continue to maintain long term affordability for the time period stated in their (name the grant program Substantial Amendment or NSP2 NOFA application). Therefore, notwithstanding this Grantee Closeout Certification, grantees failing to comply with this requirement shall be required to repay all or a portion of the grant amount, as provided in the appropriate regulation.)

\_\_\_\_\_  
Grantee Authorized Representative's Signature and Date

\_\_\_\_\_  
CPD Division Director's Signature and Date

\_\_\_\_\_  
Typed Name of Signatory

\_\_\_\_\_  
Typed Name of Signatory

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

The above signature by HUD signifies approval of grant closeout

**Note: Any false statements knowingly or deliberately made are subject to civil or criminal penalties under Section 1001 of Title 18 of the U.S. Code.**

**HUD Form 40178**

## Appendix I- Closeout Agreement (FORM)

GRANT CLOSEOUT AGREEMENT  
For  
**Neighborhood Stabilization Program (specify)**

**Between**

U.S. Department of Housing & Urban Development  
(Address)

AND

Name and address of Grantee

This agreement sets forth the terms for final disposition and conditions associated with the closeout of HUD (name of the grant program) Grant (Number) provided pursuant to the grant agreement dated (date of grant approval), and any applicable amendments. The (name of grantee) certifies that to the best of its knowledge:

- All activities as authorized by the grantee's action plan or NSP2 NOFA application and any applicable amendments have been completed as described in the grantee's final Quarterly Performance Report (QPR) in the Disaster Recovery Grant Reporting (DRGR) system dated (date of final report).
- No fraud, waste or mismanagement has occurred in carrying out the grant. If fraud, waste or mismanagement has occurred, appropriate action has been taken to address it.

NSP grantees were statutorily required to use not less than 25 percent of the NSP grant (initial allocation plus program income) to house individuals or families whose incomes do not exceed 50 percent of area median income.

**INSERT ONLY ONE OF THE FOLLOWING BULLETS AFTER COMPLETING THE ATTACHED WORKSHEET**

- (Name of grantee) has expended and met a national objective with an amount equal to or greater than the total set-aside requirement for program income and the original grant, and HUD acknowledges that the grantee has met the 25 percent set aside requirement.
- (Name of grantee) acknowledges that it has expended and met a national objective for an amount equal to a total of 25 percent of its original NSP grant, but the grantee has not yet met this statutory requirement for all program income generated prior to closeout. (Name

**HUD Form 40180**

of grantee) understands that it must expend and meet a national objective in compliance with the statutory requirement for the remaining program income of \$ (Amount from (B,5) in the worksheet) within 3 years of the execution of this document. This amount may be made up of program income earned before or after the execution of this agreement. This provision in no way affects any other requirements of program income earned after the agreement's execution.

Further, the (name of grantee) hereby acknowledges the remaining obligation(s) under the terms of the grant agreement and agrees as follows:

- All of the applicable NSP regulations will apply to program income generated unless otherwise stated in the Notice of Neighborhood Stabilization Program Closeout Requirements and Recapture published on November 27, 2012 at 77 F.R. 70799.
- All records and documents pertaining to this grant will be maintained for a period of 4 years after execution of this closeout agreement, or 5 years after the completion of a project whichever may be longer. Additionally all records related to the affordability of a project must be maintained for 5 years after the affordability period comes to an end.

#### Insert as Applicable

- For grantees with ongoing CDBG grants, any real property within the (name of grantee)'s control which was acquired or improved in whole or part using NSP funds in excess of \$25,000 is governed by the principles described in 24 CFR 570.505.
- If any rehabilitated property falls within a flood plain, flood insurance coverage must be maintained for the mandatory period for affected property owners.
- Identify any contingent liabilities subject to payment after the closeout agreement is signed: \_\_\_\_\_
- A total of \$ (amount) in grant funds has been previously cancelled and returned to the Department on (date). **OR** A total of \$ (amount) in grant funds will be cancelled by HUD upon execution of this closeout agreement.

HUD maintains the right to conduct future monitoring of this grant, either on site or by review of information or copies of documents requested from the (name of grantee). The (name of grantee) acknowledges that a finding of noncompliance resulting from such a review and failure to take

**HUD Form 40180**



appropriate corrective action satisfactory to HUD may be taken into account by HUD as evidence of unsatisfactory performance, in consideration of future grant awards. Further the (name of grantee) may be required to repay HUD any disallowed costs based on the review results of a future audit or monitoring.

**For the (name of grantee):**

\_\_\_\_\_  
Typed name of CEO/ Title of CEO

\_\_\_\_\_  
Date

**For the Department of Housing and Urban Development:**

\_\_\_\_\_  
Typed name of CPD Director

\_\_\_\_\_  
Date