



NSP Expenditure Deadlines and Closeout Roll Forward



by Gladys Schneider

The Neighborhood Stabilization Program (NSP) was a critical piece of the federal package that Florida so desperately needed to help our state recover from the foreclosure crisis. More than \$1 billion in NSP dollars have flowed through Florida's entitlement communities, non-entitlement local governments, and nonprofits as thousands of abandoned or foreclosed properties were purchased, rehabilitated and sold or rented to low-income households. Many properties were completed for community development and others are held in land banks awaiting future disposition.

NSP 1 and NSP2 expenditure deadlines are approaching and grantees have either already made their final reports to HUD or are in the process of doing so. NSP3 grantees are meeting their 50% expenditure deadline this spring and will expend 100% by March-April of 2014. HUD has not signaled any intention of issuing a further round of NSP.

PROGRAM YEAR	EXPENDITURE DEADLINE
NSP 1	Spend 100% of grantee's allocation within four years of signing the grantee's grant agreement (deadline generally February - March 2013)
NSP 2	Spend 100% of the grantee's allocation within three years of allocation (deadline February 11, 2013)
NSP 3	Spend 100% of the allocation within three years of signing grant agreement (deadline generally March-April 2014)

HUD has held several webinars on the Expenditure Deadline and a NSP Closeout Guide is in the works. The Florida Housing Coalition is part of the team preparing the NSP Closeout Guide. Grantees are reminded that meeting expenditure deadlines is of critical importance at this time. (See table)



NSP funds leveraged millions of dollars in construction labor and materials in Florida and provided necessary financing for small scale rental projects.

Expenditure and Closeout are not the same-far from it.

Expenditure means payments have been made to contractors, employees, homeowners and other payees. Expended funds can also include invoiced amounts owed to contractors for goods, property or services. It also includes amounts paid to third party sellers of foreclosed properties or accrued salaries. Expenditure is not strictly defined as amounts drawn down from the DRGR system. Documentation should include contracts, invoices, closing documents, loan documents, subrecipient agreements or payroll. Homes do not have to be occupied by the expenditure deadline, but because all expenditures must be made they should be completed and ready for occupancy. Funds paid into revolving loan funds or loan loss reserves can be considered expended if done as part of an approved strategy. Future administration costs, property under construction and not completed or property under a purchase contract that has not been closed are not considered expended funds.

There is no set deadline for closing out the NSP grant-this is a process that begins after all initial grant funds have been expended. This amount may be a combination of initial line of credit funds with program income so long as the initial grant allocation amount has been expended. Activities must be completed with a national objective met-occupied with eligible households, benefiting a target area, housing serving a limited clientele, or creating jobs.

HUD published the Closeout Notice on December 27,

2012, to begin the process of closing out NSP grants for each of the three program years (NSP1, NSP2, NSP3). NSP closeout will be similar to CDBG-R closeout, which many will be familiar with. The Closeout Notice included the requirements for closing out the grant, but also included some technical corrections. One of the most significant is the addition of special economic activities as eligible for NSP1 under the redevelopment use. This expands the possibility for redevelopment projects to include the national objective of creating or maintaining jobs for persons whose incomes are at or below 120 percent of median income (LMMJ), for example funding for a home-based day care. The Closeout Notice also added the possibility to include acquisition and disposition as part of the Demolition strategy, which may help grantees meet an area benefit national objective by clearing blighted structures.

Closeout can take place after expenditure deadlines have been met when the grantee and the HUD Field Office determine that all grant-related administrative and project activities have been completed. Grant closeout is described in four phases:

1. Meeting the Expenditure Deadlines and Using Line of Credit Funds

Expenditure deadlines are met when 100% of the original grant amount in combined line of credit funds (original grant) and program income are expended by the established deadline. If the expenditure deadline is met, the line of credit will remain open for use on NSP eligible activities. If the expenditure deadline is NOT met, the line of credit will be blocked. However,



NSP funds allowed thousands of abandoned or foreclosed properties to be purchased, rehabilitated and sold or rented to low-income households.

grantees may continue to use program income in both cases.

2. Preparing for Closeout

In preparing for closeout, grantees will correct and perfect their most recent Quarterly Performance Reports. A confirmation will be made that all activities and obligated land bank properties have met a national objective. All funded activities will be completed in whole or in part by line of credit funds. Grantees will review their agreements with partners to ensure that continuing affordability provisions are established and in place. At this time, not less than 25% of the NSP grant (initial allocation plus any program income) must have been expended to house individuals or families whose incomes do not exceed 50% of the area median income.

3. Completing the Closeout Process

Grantees will work closely with their HUD field office CPD representative. HUD will determine that closeout criteria have been met and send a Closeout Notification Letter. The grantee will submit the closeout package to HUD. Once HUD approves the package, a Closeout Agreement will be signed by the grantee and HUD. HUD will cancel any unused line of credit funds. The grantee may identify costs that have been incurred but not expended such as audit costs. The grantee's next audit will cover any unaudited costs.

4. Complying with Post-Closeout Requirements

Going forward, many grantees

will continue to receive program income. The Closeout Notice provided the rules that will guide the use of these funds according to the type of grantee—Entitlement, Non-Entitlement, or Nonprofit NSP2 Consortium member. The NSP Closeout Guide explains these income rules. The Closeout Agreement will note the amount of program income on hand at the time of closeout. Grantees will be responsible for ensuring long-term affordability of NSP homes. The inventory of properties and terms of compliance will be contained in a continuing affordability management plan that will be part of the Closeout Agreement. Grantees will report annually during the affordability period. Land bank properties that have not met a national objective at the time of closeout will be subject to a 10-year disposition rule beginning from the date of the Closeout Agreement. Grantees with land banks will include a land bank management plan with the Closeout Agreement that identifies the proposed use and timeframe for meeting a national objective for each property. **HNN**

HUD will be providing extensive guidance during the expenditure and closeout periods. The Florida Housing Coalition welcomes your questions about meeting expenditure deadlines and preparing for closeout. Please email us at info@flhousing.org or call 850-877-4219.