

## **CLOSE-OUT PROCEDURES**

### **CHOICE NEIGHBORHOODS IMPLEMENTATION GRANTS**

#### **Introduction**

The following outlines the steps to be followed to officially close a Choice Neighborhoods Implementation Grant. Close-out means that: (1) no additional Choice Neighborhoods Implementation Grant funds may be disbursed; (2) HUD has determined that the expenditure of Choice Neighborhoods Implementation Grant funds was made for allowable activities; (3) activities undertaken with Choice Neighborhoods Implementation Grant funds were completed as required by the Choice Neighborhoods Implementation Grant Agreement; and (4) all Federal requirements were satisfied. The United States Department of Housing and Urban Development (HUD), Choice Neighborhoods Office, is responsible for managing the close-out process.

Grantees must begin the close-out process within 90 days of: 1) expenditure of all Choice Neighborhoods Implementation Grant funds and 2) completion of all housing funded with Choice Neighborhoods Implementation Grant funds. Grant close-out may take place even if the Grantee is still completing other activities in the approved Transformation Plan which are funded with non-Choice Neighborhoods Implementation Grant funds, including replacement and non-replacement housing units and specific Critical Community Improvements (CCI) activities.

Note that upon expenditure of all Choice Neighborhoods Implementation Grant funds, grantees must continue to report quarterly and annual data into the Inform System through the first quarter of the next calendar year (March). In subsequent quarters, grantees who have yet to complete construction of all housing units must continue to report in Inform quarterly, but only on certain metrics. See Step 6B for further information.

Grantees must follow each step of the following close-out process:

#### **STEP 1: Submission of Termination of Disbursements Letter and Close-Out Materials**

Grantees initiate the close-out process by submitting a Termination of Disbursements letter, which should be addressed to the Choice Neighborhoods Director, with a copy sent to the appropriate HUD Team Coordinator.

##### **A. Termination of Disbursements Letter (see template in Attachment 1)**

The Termination of Disbursements letter must state that:

1. The Grantee has completed all activities to be performed using Choice Neighborhoods Implementation Grant funds
2. All requirements of the Grant Agreement have been met
3. All obligated Choice Neighborhoods Implementation Grant funds have been disbursed
4. The Grantee will abide by any continuing Federal requirements

## B. Required Close-Out Materials

Grantees must submit the following Close-Out Materials with the Termination of Disbursements Letter:

1. **Final Choice Neighborhoods Implementation Budget**  
The Grantee must submit a Choice Neighborhoods Implementation Budget form (HUD-53236), executed by the Grantee's executive officer, which shows all final expenditures for the Choice Neighborhoods Implementation Grant by Budget Line Item (BLI). The budget should be marked "FINAL." [Note: if a final budget was previously submitted and approved by HUD and there are no changes, the budget does not need to be resubmitted with the Termination of Disbursements Letter.]
2. **Actual Choice Neighborhoods Cost Certificate (HUD-50163)**  
The Grantee must submit an Actual Choice Neighborhoods Cost Certificate (ACNCC) form (HUD-50163). This form serves as the document that officially closes the grant in HUD LOCCS. The ACNCC must be signed by the Grantee's executive officer on the line indicated.
3. **Program Income Plan**  
A Plan for the use of Program Income funds, which indicates the anticipated sources and uses of Program Income, must be submitted. Following close-out, Grantees must comply with the conditions of the Program Income Plan for a period of 15 years from the final approval date on the ACNCC. Funds from each source of Program Income must be tracked separately. Funds must be deposited in an interest-bearing account in an FDIC insured institution. During the 15-year period, no more than 10% of Program Income may be used for administrative purposes.
4. **Supportive Services Sustainability Plan**  
Grantees must submit a Supportive Services Sustainability Plan, which discusses how supportive services for residents will be maintained after all Choice Neighborhoods funds have been expended. While HUD does not have a required format, see Attachment 2 for elements which should be addressed. Grantees who already have a HUD-approved Endowment Trust Plan do not need to submit a Supportive Services Sustainability Plan, unless additional information is requested by HUD.
5. **Housing Plan and Schedule**  
Grantees must submit a brief narrative describing the status of their Housing Plan, including progress on the grantee's one-for-one unit or bedroom replacement requirement, as well as non-replacement units. The submission should include a chart which reflects the unit count and composition by phase. A sample chart is included in Attachment 3. Any changes to the Housing Plan in the future must be reviewed and approved by HUD.

### **Step 2: HUD Review of Close-Out Materials**

Upon receipt of the required Termination of Disbursements Letter and Close-Out Materials from the Grantee, the HUD Team Coordinator will review the materials to assure compliance with the Choice Neighborhoods Implementation Grant Agreement and these Close-Out Procedures. The Grantee is

expected to cooperate with this review by making available any records requested. The HUD Team Coordinator will review the materials to confirm that:

- A. The Termination of Disbursements Letter includes the statements required by Step 1.A, above.
- B. The dollar amounts on the final Choice Neighborhoods Implementation Budget and the ACNCC agree as to funds approved, obligated, and expended. If necessary, adjustments will be made in LOCCS to reflect actual expenditures.
- C. The amount of funds approved and disbursed on the ACNCC agrees with HUD records in LOCCS.
- D. If Line 1.E. of the ACNCC indicates that HUD has disbursed more funds than the Grantee expended, then the Grantee will immediately remit to HUD the excess funds, without waiting for the final audit. The Grantee should consult further with the HUD Team Coordinator for more specific instructions on returning the funds to HUD.
- E. The Program Income Plan provides the requested information and complies with Program Income requirements of the Grant Agreement.
- F. The Sustainability Plan provides the requested information and demonstrates a sound strategy for continuing to provide needed supportive services to residents.
- G. The Housing Plan and Schedule provides the requested information and demonstrates that the Grantee will be able to complete its housing obligations.

### **Step 3: HUD Preliminary Close-Out Approval**

When HUD has determined that the amount of Choice Neighborhoods Implementation Grant funds disbursed, obligated, and expended are equal in LOCCS and the required submissions have been made and are acceptable, HUD shall:

- A. Approve the ACNCC for audit, by having the Choice Neighborhoods Director sign the top line under the "For HUD Use Only" section of the ACNCC
- B. Approve the Program Income Plan
- C. Approve the Supportive Services Sustainability Plan
- D. Approve the Housing Plan and Schedule
- E. Approve the final Choice Neighborhoods Implementation Budget (HUD-53236), if the final budget has not already been approved by HUD
- F. Enter a Pre-Audit Date into LOCCS, which shall be the date on which HUD signs the ACNCC and approves it for audit. This action will prevent any further disbursements from LOCCS
- G. Send a Close-Out Approval Letter to the Grantee which does the following:
  - Transmits a copy of the preliminarily approved ACNCC. The original ACNCC will be kept by the HUD Team Coordinator

- Transmits the signed final Choice Neighborhood's Implementation Grant Budget
- Approves the Program Income Plan, Sustainability Plan and Housing Plan and Schedule
- Indicates that the Grant has been preliminarily closed-out
- Instructs the Grantee to proceed with the final audit
- Indicates that all Choice Neighborhoods Implementation Grant-funded activities are complete, even though activities financed with non-Choice Neighborhoods Implementation Grant funds may still be under way and/or not yet begun
- Identifies grantee Post Close-Out Responsibilities

#### **Step 4: Grantee Final Audit**

Each Grantee is required to conduct an audit of the Choice Neighborhoods Implementation Grant in accordance with the requirements of 2 CFR Part 200, Subpart F. The audit must be made by an independent auditor. It may be conducted separately or as part of an agency-wide/company-wide audit. However, if conducted as part of an agency-wide/company-wide audit, the Choice Neighborhoods Implementation Grant portion of the audit must be reported separately in the audit report.

Once completed, the Grantee must submit a copy of the applicable pages of the audit report (including the front page indicating the date of the audit and the auditor name) to the HUD Team Coordinator. If the audit indicates that Choice Neighborhoods Implementation Grant funds were expended for ineligible activities or in inappropriate amounts, the Grantee may be required to return such funds to HUD and should consult with the HUD Team Coordinator.

Once HUD has completed its review and any audit findings have been resolved, the Choice Neighborhoods Director will sign the ACNCC on line 2 under "For HUD Use Only" to certify that the audited costs agree with the costs shown on the ACNCC.

#### **Step 5: HUD Final Close-Out Approval**

Once HUD has approved the audit and has determined that: 1) the expenditure of grant funds was allowable; 2) the activities to be completed using Choice Neighborhoods Implementation Grant funds were completed as required by the Grant Agreement; and 3) all Federal requirements were satisfied during the implementation of those activities, the Choice Neighborhoods Director will sign line 3 under "For HUD Use Only" of the original ACNCC, indicating that the grant is approved for final close-out.

After the ACNCC has been fully executed, the HUD Team Coordinator will prepare the final Choice Neighborhoods Implementation Grant Close-Out Approval Letter to the grantee, transmitting a copy of the fully executed ACNCC. The original ACNCC will be kept by HUD. The HUD Team Coordinator will also email a copy of the final approval letter and ACNCC to the HUD Fort Worth Accounting Center, which will enter a Post-Audit Date in LOCCS and the grant will then be officially closed.

Any funds remaining in the grant will be recaptured by HUD. Recaptured funds will automatically be reflected in BLI 9900, Post Audit Adjustment, once the grant is closed.

#### **Step 6: Additional Grantee Close-Out Responsibilities**

Grantees are also responsible for the following close-out activities. Failure to comply could impact future grant awards.

A. End of Grant Report

Grantees are required to submit an end of grant report which discusses their overall success in transforming the target neighborhood and supporting positive outcomes for residents. While HUD does not have a required format, see Attachment 2 for elements which should be addressed. The final report must be submitted to HUD by April 30 of the year following the September grant expenditure deadline.

B. Choice Neighborhoods Inform System

Upon expenditure of all Choice Neighborhoods grant funds, grantees must continue to report on all metrics in the Inform system, quarterly and annual, through the first quarter of the next fiscal year (March). After that first quarter, grantees must continue to report quarterly on certain Housing, Neighborhood, and People metrics until all housing units (replacement and non-replacement) included in the Housing Plan are complete. See Attachment 4 for a list of required metrics. Upon completion of all housing units, Grantees will no longer be required to report in Inform.

C. Quarterly Calls

Until all units in the Housing Plan have been completed, the grantee and HUD will continue to hold quarterly calls to review the CN Inform data submission and to review progress on housing construction, CCI activities and people metrics. Once all housing units have been completed, no further calls will be required.

D. Program Income Reporting

Until all housing units in the Housing Plan are complete, grantees must submit an annual Program Income Report to HUD by September 30 of each year identifying all sources and uses of Program Income. Upon completion of all housing units, the Grantee will no longer be required to submit a Program Income Report; however, for the remainder of the 15-year program income period, HUD reserves the right to request an accounting of Program Income funds.

E. Housing Plan

Any future changes to the Housing Plan which was submitted as part of the required Close-Out Materials in Step 1 must first be reviewed and approved by HUD.

**ATTACHMENT 1: Sample Termination of Disbursements Letter**

XXXXXX

Director

Choice Neighborhoods Program

Office of Public Housing Investments

U.S. Department of Housing and Urban Development

451 7<sup>th</sup> Street, SW, Suite 4130

Washington, DC 20410

RE: Choice Neighborhoods Termination of Disbursements

XXX Choice Neighborhoods Grant

Choice Neighborhoods Grant Number: XXXXXXXX

Dear xxxxx:

This letter serves as our Termination of Disbursements Letter in connection with our Choice Neighborhoods Grant for XXXXX. The XXXXX Housing Authority (Authority) has completed all activities to be performed using Choice Neighborhoods Grant funds. All requirements of the Grant Agreement have been met. All obligated Choice Neighborhoods grant funds have been disbursed. The Authority will abide by all continuing Federal regulations. In addition, the Authority will complete all non-Choice Neighborhoods funded activities included in the Choice Neighborhoods Transformation Plan and will continue to report in the Choice Neighborhoods Inform System until all housing and Critical Community Investment (CCI) activities have been completed. [Note: if all activities included in the Choice Neighborhoods Transformation Plan have been completed, the letter should indicate so.]

In addition, enclosed please find the following Preliminary Close-Out Materials required per the Close-Out Procedures for Choice Neighborhoods Grants:

- 1) Final Choice Neighborhoods Budget
- 2) Actual Choice Neighborhoods Cost Certificate (ACNCC)
- 3) Program Income Plan
- 4) Supportive Services Sustainability Plan (if required)
- 5) Housing Plan and Schedule

Upon your approval of the above documents and HUD approval to move forward, the Authority will contract for a final audit of the Choice Neighborhoods Grant

Sincerely,

XXXXXXXXXX

Executive Director

Enclosures

## ATTACHMENT 2

### **Sustainability Plan Guidance**

Grantees must submit a plan which discusses how they will continue to provide supportive services to original residents of the Choice Neighborhoods target housing to assure their continued success. Grantees who have HUD-approved Endowment Trusts should focus on how Choice Neighborhoods funded services can be supplemented through private cash or in-kind leverage. There is no required length or format for the plan, but grantees should cover the following:

- 1) Identify what entity will be responsible for managing the on-going provision of supportive services to residents? How the program be staffed? What funds are available for administration
- 2) Who are the partners that will provide services to residents? Are these existing partners who will continue work after the grant period is over? Will you need to identify new partners? What are the partners' roles?
- 3) How will you leverage additional programmatic funding, both cash and in-kind? What sources have been identified?
- 4) Describe your plan for continued outreach to and input from residents.
- 5) Discuss any metrics you will use to measure the continued success of residents.
- 6) Discuss any problems you anticipate which might limit your ability to continue to provide supportive services to residents.

### **Final Plan Guidance**

Grantees must submit a report which presents a summary of their overall success in transforming the Choice Neighborhoods targeted community. This is an opportunity for grantees to tell their story and highlight accomplishments. There is no required length or format for the plan, but grantees should cover the following:

- 1) Highlight successful neighborhood initiatives. How did Critical Community Improvements support overall neighborhood improvement? Who were key partners and how did they contribute to success? Highlight leverage, both cash and in-kind. Present key metric outcomes that demonstrate success. Provide paper and electronic copies of high quality photographs of Critical Community Improvements.
- 2) Highlight successes in housing development. How did the redeveloped housing impact the overall neighborhood? How did improved housing impact residents' lives? Provide paper and electronic copies of high quality photographs of the target housing before transformation and after transformation.
- 3) Highlight resident successes. Identify positive outcomes related to key people-related metrics which demonstrate how residents' lives were positively impacted by the grant. Relate personal resident success stories. Identify key partners and how they contributed to success. Present leverage, both cash and in-kind.
- 4) How did successes in the neighborhood, housing and people elements come together to help transform the whole community?
- 5) Attach copies of news reports, press releases or other materials which highlight project successes.

## ATTACHMENT 3: Housing Chart

<b>Housing Plan</b>								
<b>PHASE</b>	<b>Start Date</b>	<b>Completion Date</b>	<b>Public Housing Replacement Units</b>	<b>Affordable Replacement Units</b>	<b>Total Choice Replacement Units</b>	<b>Affordable Units (Non- Replacement)</b>	<b>Un-Restricted Units (Market)</b>	<b>TOTAL UNITS</b>
<b>On-Site Phases</b>								
Phase 1	Feb 2017	Jun 2018	40	10	50	20	15	85
Phase 2	Dec 2017	Jan 2019	20	35	55	25	15	95
<b>Total On-Site</b>			60	45	105	45	30	180
<b>Off-Site Phases</b>								
Green St. Apts	Feb 2018	Mar 2019	45	5	50	20	25	95
West Side Apts	Apr 2019	Jun 2020	55	15	70	30	25	125
<b>Total Off-Site</b>			100	20	120	50	50	220
<b>TOTAL</b>			160	65	225	95	80	400



## **ATTACHMENT 4: Inform Reporting Requirements**

Upon expenditure of all Choice Neighborhoods grant funds, grantees must continue to report on all metrics in the Inform system, quarterly and annually, through the first quarter of the next fiscal year (March). After that first quarter, Grantees must continue to report only on the following metrics contained in the Choice Neighborhoods Inform System. HUD will no longer require Grantees to report on those metrics not listed below. Grantees must continue to report on the following metrics until all housing units (replacement and non-replacement) included in their Housing Plan are complete and each phase of housing construction has completed one quarter of ongoing operations. However, Grantees may continue to report on all metrics, if desired.

### **PEOPLE METRICS**

- P2.1: Number and percent of target resident children from birth to kindergarten participating in center-based or formal home-based early learning settings or program
- P3.1: Number and percent of target housing residents who have a place of health care where they regularly go other than an emergency room.
- P4.2: Number and percentage of target housing residents working full time.
- P4.3: Number and percentage of target housing residents working part time.
- Number of original residents returning to the target housing site

### **HOUSING METRICS**

After grant close-out, grantees must report only on the following housing metrics only for the housing phases where construction is not complete and/or the housing phase has not completed one quarter of on-going operations. Once a phase of housing is complete and operating for one quarter, and the grantee has reported the following housing information in CN Inform, the grantee is no longer required to report on that phase of housing in CN Inform:

- H4: all metrics related to Replacement Housing Units
- H5: all metrics related to Non-Replacement Housing Units
- H6: all metrics related to Non-Replacement Housing Homeownership Units
- H7: all metrics related to Housing Mix
- H10.22-H10.26: Household Income metrics (initial operating period and ongoing operations)
- H8.1-H8.2; H10.1-H10.3: Housing Occupancy and Affordability metrics (initial operating period and ongoing operations)

### **NEIGHBORHOOD METRICS**

- N3.2-5: Crime Data
- N7.7: Number of building permits filed in the neighborhood