



U.S. Department of Housing and Urban Development
Houston Field Office, Region VI
Office of Community Planning & Development
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JAN 27 2017

Tom McCasland
Director
Housing and Community Development Department
City of Houston
601 Sawyer Street, Suite 400
Houston, TX 77007

REF: 30794
RECEIVED

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CITY OF HOUSTON
HOUSING & COMMUNITY DEVELOPMENT

Dear Mr. McCasland:

SUBJECT: End of Year Assessment for Program Year (PY) 2013
July 1, 2013 through June 30, 2014

This office conducted a file review and it revealed that the City of Houston did not receive correspondence from this office regarding the review of its 2013 Consolidated Annual Performance and Evaluation Report (CAPER). The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require that grant recipients submit annual performance reports for the programs covered under these Acts. The Acts require the Secretary of Housing and Urban Development (HUD) to determine annually that the grant recipient is in compliance with these statutes, and has the continuing capacity to carry out the programs for which it receives funds. One of the tools used to conduct the assessment is the City's CAPER, which was received in this office on September 26, 2014. The report was timely and received within the 90 days of the end of the City's program year in accordance with 24 CFR 91.520(a).

The review is directed not only toward meeting the mandates of the statutes, but to provide the basis for working together collaboratively to achieve the revitalization goals of the community as well. Elements assessed include the City's planning process; management of funds and progress in carrying out strategies and goals identified in the Consolidated Plan. Additionally, compliance with statutory and regulatory requirements; accuracy of required performance reports; and evaluation of accomplishments in meeting key departmental objectives is assessed. The CAPER is also reviewed in conjunction with the Office of Fair Housing and Equal Opportunity (FHEO) to confirm there are no issues of noncompliance with Title VI of the Civil Rights Acts of 1964, the Fair Housing Act, Executive Order 11603, the Age Discrimination Act of 1975, Section 3 of the Housing and Urban Development Act of 1968 and all regulations promulgated under such statutes and authorities. A copy of the FHEO comments related to the 2013 CAPER are enclosed with this letter.

Monitoring is another method of grantee assessment. A grantee is selected for monitoring based on a number of factors including the amount of its HUD funding, the number of projects it is undertaking and the last time the grantee or grant was monitored. Monitoring allows HUD to

conduct an onsite review to ensure compliance with applicable regulations, statutes, and program requirements and to provide technical assistance as needed. During August of 2013, the City of Houston's Home Investment Partnerships Program (HOME) was monitored. Six findings and three concerns were identified and the last of the findings were resolved in September of 2015. A finding is a deficiency in the program's performance based on statutory or regulatory requirements for which sanctions or other corrective actions are authorized. A concern is a deficiency in the program's performance that is not based on a statutory or regulatory requirement. In addition to the findings issued during the 2013 Program Year, the City had open findings that were issued in the 2012 Program Year. The resolution of the last of those findings occurred in December of 2015.

For Program Year 2013, the City received \$23,714,902 in Community Development Block Grant (CDBG) funds, \$7,022,142 in HOME funds, \$1,767,468 in Emergency Solutions Grant (ESG) funds, and \$8,956,121 in Housing Opportunities for Persons with Aids (HOPWA) funds. The City received \$13,542,193 in Neighborhood Stabilization Program (NSP1) funds in Program Year 2009 and \$3,389,035 in NSP3 funds in Program Year 2011. Program Year 2013 was the fourth year of the City's five year, July 1, 2010 through June 30, 2015, Consolidated Plan.

The Integrated Disbursement and Information System (IDIS) database utilized by grantees provides HUD with information about a grantee's activities. From this database, reports can be reviewed in conjunction with the CAPER to assess performance. The reports include but are not limited to the CDBG Activity Summary Report (GPR) for the Program Year 2013 (PR03), the CDBG Financial Summary Report (PR26), the 60 Day Ratio Report (PR56). IDIS also has reports available for the HOPWA and ESG programs. In addition to the IDIS reports, HUD provides the HOME Deadline Compliance Review to assess HOME program commitments and disbursements. The Disaster Recovery Grant Reporting System contains NSP grant information and is utilized for NSP reporting including the Quarterly Performance Report (QPR).

The PR03 report provides details of the CDBG activities undertaken by a grantee during a specific program year. Detailed project information including the amount of funding allocated and spent on the projects as well as the current status is readily available. Reporting also includes the number of beneficiaries served. The City submitted a PR03 dated September 25, 2014 with their PY 2013 CAPER submission. This office ran another PR03 on December 12, 2014 and reviewed the data. There were 120 projects listed and of those, 99 were funded prior to 2013 and 21 were funded with 2013 CDBG funds. At the time of the review, 51 projects had been completed and 49 were open with funds drawn. Of the remaining 20 projects, 15 were in a completed status with funds still showing available and five were showing 100% funds drawn but in an open status. A current review of those 20 activities confirmed that the activities had been updated correctly within IDIS and reflect a completed status with all funds expended. The City is reminded to review outstanding open activities in IDIS to assess whether or not a project should proceed or be canceled. The review can be done in coordination with the CDBG Activities at Risk Dashboard report (PR59).

In addition to reviewing open activities, the City is asked to review its Loans Receivable Report and Loan Activity report. The City reported a number of loans with outstanding balances that have not had principal repayments made recently. The City is tasked with reviewing its outstanding loan portfolio and assessing the current status of the loans to determine whether or not a national objective was achieved. Loans that failed to achieve a national objective will be deemed ineligible

activities and may require the City to reimburse the respective grant for that amount. Please provide this office with a copy of the City's review and an updated status of the loans within 30 days of receipt of this letter.

The PR26 report reflects CDBG spending during the program year including the percentage of funds benefitting low to moderate income residents and obligated for public services and administration and planning activities. The statutory requirement for overall benefit to low- and moderate income persons is 70 percent. Houston's PR26, as of December 12, 2014, reflected a 100% benefit to low -and moderate income persons. The percentage of funds obligated for public service activities was 15.36% of the grant amount and the percentage of funds obligated for administration and planning were 15.50% of the grant amount. By regulation, the standard allowable limits are 15% and 20% respectively, however, Houston is allowed a maximum public service cap of 16.77%. Since 1979, there has been a statutory limitation for the CDBG program on the percentage of any grant that may be used for eligible public service activities. In 1983, the limitation was increased from 10 percent to 15 percent. However, a recipient which obligated more than 15 percent of its grant funds from Federal Fiscal year 1982 or 1983 appropriations is allowed to obligate more than 15 percent of its grant for public services so long as the amount obligated in any program year does not exceed the percentage or the amount obligated in Federal Fiscal year 1982 or 1983, whichever method of calculation yields the higher amount, therefore, Houston's public service cap is 16.77%.

The PR56 report documents timeliness of a CDBG grantee. HUD regulation at 24 CFR 570.902 requires CDBG grantees to spend their funds in a timely manner. A grantee is considered timely, if 60 days prior to the end of their program year, the balance of grant funds in its line of credit does not exceed 1.5 times the annual grant. A review of the PR56 reflected that Houston met its timeliness ratio for Program Year 2013 with a 1.41 ratio on May 2, 2014.

The HOME Deadline Compliance Status report documents compliance with the two-year commitment and Community Housing and Development Organizations (CHDO) reservation requirements of the HOME statute and the five-year expenditure requirements of the HOME regulations. The City was able to meet its 2012 HOME Commitments, 2012 CHDO Reservations and 2009 Disbursements July 31, 2014 deadlines as reflected on the HOME Deadline Report.

The HOPWA program was assessed by reviewing the HOPWA Timeliness Dashboard (PR88) and the HOPWA Performance Profile – Formula Grantee (PR90) for program year 2013. As the report titles indicate, the reports document the City's compliance with timeliness and performance standards. The assessment of the ESG program was conducted by reviewing the ESG Financial Summary (PR91) and ESG Risk Status Recipient Report (PR93). The City successfully met its performance standards for both programs during their 2013 program year. These reports are readily available from IDIS and the City is encouraged to utilize for self assessment.


As a result of this office's assessment and the information provided in the PY 2013 CAPER, the following was determined: the City carried out its program substantially as described in its Consolidated and Annual Action Plan submission; the Consolidated Plan submission, as implemented, complied with the programmatic requirements of the Housing and Community

Development Act and other applicable laws and regulations; and the City had the continuing capacity to carry out the approved program in a timely manner.

This letter is to be shared with the public. You may provide copies to interested persons such as news media, members of local advisory committees, and citizens attending public hearings. We request that you also provide a copy of this letter to the Independent Public Accountant who performs the single audit of the City of Houston. Please recognize that the comments and conclusions made in this letter are subject to a 30-day review and comment period by the City. We may revise this letter after consideration of Houston's views, and will make the letter, the City's comments, and any revisions available to the public within 30 days after receipt of the comments. Absent any comments by the City, this will be considered the final letter on this subject.

If you have any questions or comments about this report, please let me know or contact Christine Cuddeback, Senior Community Planning and Development Representative, at 713-718-3117. Questions and comments regarding the City's current portfolio should be directed to your primary contact, Lisa Peoples, Senior Community Planning and Development Representative at 713-718-3116.

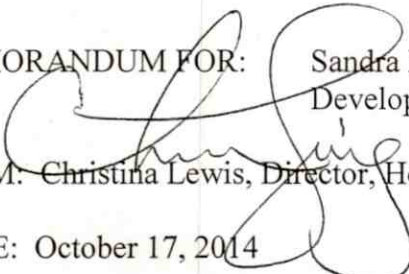
Sincerely,


Darrell C. Logan, Program Manager
Community Planning and Development

Enclosure



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MEMORANDUM FOR: Sandra H. Warren, Director, Community Planning and
Development, 6ED
FROM:  Christina Lewis, Director, Houston FHEO, 6EES
DATE: October 17, 2014
SUBJECT: Consolidated Annual Performance & Evaluation Report (CAPER),
Houston, TX

We have reviewed the subject documents in accordance with 24 CFR Part 91.520. Please note the following concerns:

1. The City reported the completion of several public facility construction projects for PY 2013. Please state whether or not all of these projects meet 504 accessibility requirements in all public areas.
2. The City listed various fair housing activities. Did the City use any funds for these fair housing activities? If so, state the amount, the source, and the specific activities funded?
3. In regard to Citizen Participation, what steps did the City take to solicit participation from religious minorities, families with children and persons with disabilities? Did the City provide notices to persons with disabilities in alternative formats and in languages other than English to Limited English Proficient population?
4. Specify the CDBG activities that benefited the disabled population.
5. Did the City use CDBG funds for infrastructure (street improvements, curbs, gutters, etc.) in minority areas? If so, please specify the areas.
6. The updated Analysis of Impediments indicates substantial progress toward providing additional data to identify and document impediments to fair housing. During this interim period prior to the 2015 AI submission, we look forward to working with the City so ensure specific strategies, actions, timelines and funding sources are listed to address the impediments.

If you have any questions regarding this review, please contact Carolyn Greer at (713) 718-3188 or Christina Lewis at (713) 718-3189.