



CITY OF HOUSTON
Housing & Community Development Department

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March 31, 2020

Mr. Martin Rivera
Deputy Director
Texas General Land Office
1700 North Congress Avenue
Austin, TX 78711

Re: Monitoring Performance Review for Contract No.: 19-147-001-B489

Dear Mr. Rivera:

This letter responds to the Texas General Land Office's (GLO) issuance of a finding for noncompliance with the Federal Register requirements as a result of the perceived inability of the City of Houston (City) to meet program performance and expend program funds on a timely basis.

Below, and attached, please note the plan and timeline for completing program activities within the established contract term. The City expects that these responses will suffice to resolve each issue. However, should GLO have questions or need further clarification on the responses, or corrective action taken, please contact Derek Sellers, Assistant Director, at (832) 394-6239.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tom McCasland".

Tom McCasland

Enclosure:
CDBG-DR 2017 Expenditure Projections

Financial Overview

Contrary to the information presented in GLO's monitoring letter, the Housing and Community Development Department has submitted \$18,526,618.33 in draw requests for reimbursement to GLO. To date, GLO has reimbursed the City \$9,175,159.27. Additionally, the City has complied with all established milestones in Exhibit A of our contractual agreement.

Draws Submitted to GLO

Total Submitted	RFI	Returned	Pending Approval	Approved
\$ 18,526,618.33	\$ 4,812,820.31	\$ 15,545.60	\$ 4,523,093.15	\$ 9,175,159.27

Program Statuses

Harvey Homeowner Assistance Program

The Harvey Homeowner Assistance Program (HoAP) is on track to meet all established milestones and has made great strides in recent months after laying the groundwork for successful review and intake of eligible applicants. The HoAP's capacity to complete eligibility reviews has improved from early December 2019 to March 2020. This surge in output is due to several reasons: the creation of Reference Guides and checklists for both the Intake Vendor and the HoAP Eligibility Team, the hiring of an experienced Eligibility Supervisor, additional training and technical assistance, as well as additional file review and Quality Control (QC) support from the GLO Strike Team. Some of these improvements and strategies have been previously communicated to GLO in recent communications. The Housing and Community Development Department (HCDD) is confident in the capacity of the Eligibility Team to produce HoAP-eligible applications in a volume more than sufficient for the program to expend the HoAP allocation by the contract deadline.

Though this heightened production has yet to manifest itself as a significant spike in draw request submissions or even application eligibility submissions to the GLO, improvements in those areas are fast approaching. Like the process improvement efforts undertaken for the Intake and Eligibility stages of the program, the City is currently engaging in process improvement efforts for the Preconstruction and Financial stages of the program. Through these efforts, the City plans to simplify processes, enhance and further align IMS functionality, and develop reference guides and checklists to enhance the quality and quantity of applications moving through the process.

Barriers to Progress

The GLO Strike Team began supporting HCDD on January 6, 2020. Though the Strike Team has provided quality work reviewing and/or QCing applications at several milestones throughout the HoAP process, the assistance has been lacking in two regards: 1) inability to respond to HoAP's needs as identified by HCDD, and 2) timeliness of assistance. For these reasons, the City's ability to leverage Strike Team assistance to ultimately expend program funds has failed.

Inability to respond to HoAP's needs as identified by HCDD. In engaging with GLO to select the Strike Team members, HCDD underscored the need for the Strike Team to possess CDBG-DR home repair expertise such that they could assess HoAP and provide guidance to strengthen SOP's, processes, and program documents like reference guides and checklists. HCDD requested assistance in support of their plan to develop an Intake Reference Guide and Checklist. This was a high priority for HCDD because defining detailed and explicit requirements for file submissions from the vendor was needed to yield higher quality applications entering the pipeline, the downstream impact of which would be improved file processing time and ultimately project completion and payments/draws. The support of the Strike Team in this regard was requested in response to significant changes implemented by GLO impacting the Intake and Eligibility phases of the program. HCDD attempted to obtain GLO feedback and input on the reference guide and checklists while they were under development in January 2020, but despite direct requests, none was provided.

The Strike Team communicated to HCDD staff that feedback was to go through the GLO and then would be reported back to HCDD by way of weekly report. This weekly report contained not only criticisms from the Strike Team, but also contained GLO directives framed as Strike Team "observations." At the January 2020 monthly GLO/HCDD meeting, Strike Team criticisms, which had not been previously shared, came to light and the GLO indicated that HCDD should redirect Strike Team support to predominantly application review. Despite HCDD's frustration that the Strike Team would be repurposed for reviewing files, we implemented the GLO's request at that time. However, the finance expert on the Strike Team was directed to continue working on the original assignment to facilitate the refinement of the financial draw process in accordance with the GLO's needs.

At the GLO's discretion, the Strike Team member originally assigned to strengthen the financial draw process was removed from that role during the week of March 2nd. The Strike Team member spent nine weeks in support of HoAP and was unable to deliver anything in support of clarifying or refining the draw process to meet the GLO's needs. The Strike Team member did not exhibit an understanding of the GLO's requirements, nor was able to learn the City of Houston's processes, and during this time displayed confusion among the HoAP teams she was intended to assist. The Strike Team member had numerous sidebar discussions with GLO staff which further impeded the process as the Strike Team member was unable to translate those discussions into clear direction. This led to HCDD requesting a meeting with the GLO on March 3, 2020, to once and for all, clarify GLO's needs and expectations. Since that time, and without Strike Team member involvement, HCDD has quickly outlined work to be performed and restarted process documentation efforts which will resolve many RFIs, and strengthen the related functions. As a result, HCDD had a conversation with the Strike Team lead on growing concerns regarding the Financial Strike Team member which may or may not have contributed removal of said member.

Aside from the setbacks pertaining to strengthening the draw process, while the other Strike Team members have had several opportunities to provide formal feedback on SOP's, reference guides, and checklists. To date, little to no formal documented feedback has been shared.

Timeliness of assistance. A primary hurdle for HCDD in terms of timeliness of spending is a successful draw submission process with the GLO. The inability of the Strike Team member who

was originally selected to enhance that process directly impacts HCDD's ability to spend program funds in a timely manner. HCDD lost two months of time, with little progress made to improve the draw submission process. When HCDD requested any work in-progress or documentation of work performed by the Strike Team member, we were not provided any such documentation and were instead advised by GLO to start over with the new Strike Team member who joined the team on March 11, 2020.

Though this is far and away the most glaring instance of an inability to support HCDD in a timely manner, it is not the only. In late January 2020, HCDD tasked the Strike Team with reviewing and providing feedback on a sample of files returned to the intake vendor due to deficiencies. The goal of the analysis was to understand if HCDD made the correct decision in returning the files. Upon completion of the task, the Strike Team shared their analysis with the GLO, but HCDD was not able to see the analysis until after repeated requests, and eventually the Director engaging the GLO to share.

Beyond the Strike Team's inability to respond to HoAP's needs as identified by HCDD and poor timeliness of assistance, there are several other noteworthy barriers to progress.

Approved Files. Since the Strike Team began assisting with file review and QC, there has not been a significant improvement in file approvals from the GLO. The Strike Team has been involved in performing Eligibility Reviews, Eligibility QC Reviews, and Pre-Construction QC Reviews. HCDD developed and implemented an Eligibility Reference Guide and Checklist which staff began using in early January 2020. In addition, HCDD developed an Intake Reference Guide and checklist which went live in February. These documents significantly increased the quality of files coming in from the Intake vendor. Overall, the GLO Strike Team has noted a 75% increase in quality of the files coming out of the Intake and Eligibility Stages. These documents, more than anything, have improved the quality of the Eligibility components of the files being submitted to the GLO. Currently, HCDD is working to develop similar guidance for the Pre-Construction functions.

Lack of TIGR guidance and training. The most recent step-by-step guidance as it pertains to TIGR that was shared by the GLO came on August 8, 2019. Since then, system developments have occurred, with no formal communication of evolving submission requirements. The GLO then began using Requests for Information (RFI) as a mechanism to begin informing HCDD of new submission requirements – documenting our “deficiencies” without giving us the information to succeed.

Lack of capacity for timely support of HoAP. When questioned about the time it has taken to review program documents (guidelines, applicant files, draw packages, revised processed, etc.) the GLO has indicated that to accommodate the volume of submissions HCDD is submitting, the GLO would need to pull staff from one task to another. This indicates a lack of capacity on the part of the GLO. While HCDD is ramping up its production, it is not yet up to full production capacity, and given this HCDD has significant concerns that even now, with current production numbers, the GLO is unable to quickly turnaround approvals for applicants or other programmatic documents. This is specifically of concern with the efforts to revise the draw checklists. Requests

for review of the proposed revised checklists have been with the GLO, under review, for more than six weeks.

Harvey Homebuyer Assistance Program

The Harvey Homebuyer Assistance Program (HBAP) has assisted almost 100 homebuyers purchase homes in the City of Houston. Currently, there are over 520 applicants in our pipeline. HBAP receives files from potential homebuyers daily and expects to expend all allocated funds by the contract deadline.

Barriers to Progress

During the initial launch of HBAP, GLO had a seven-day turnaround time on left side eligibility approvals. To date, GLO is now taking up to three (3) weeks (14 business days) to issue an approval or RFI after reviewing each file. These additional days have a significant impact on HBAP being able to move assistance to potential homebuyers in a timely manner.

Harvey Multifamily Program

The Harvey Multifamily Program Guidelines were approved by GLO on March 21, 2019. We released the Round 1 Notice of Funding Availability (NOFA) which closed on March 2019. During the Round 1 NOFA process, we received 55 applications and subsequently awarded CDBG-DR 2017 funding to 15 developments totaling \$175 million. Of the transactions, 6 have closed representing \$52 million of committed CDBG DR-17 funds and \$22 million expended. The remaining 10 transactions are anticipated to close by June 2020.

The Round 2 NOFA has been released and closed during March 2020. To date, we have received 48 applications totaling over \$590 million in requests. Our goal is to announce the awarded developments by July 2020. The Round 3 NOFA will be released in January 2021 to subscribe any remaining program funds that remain unallocated after Round 2.

The Harvey Multifamily Program has the demand and capacity to expend all allocated funds by the contract deadline.

Harvey Public Service Program

The Harvey Public Services Program Guidelines were approved May 14, 2019. The 1st NOFA closed July 2019 and 20 non-profits were targeted for CDBG-DR 2017 funding. Four (4) public service contracts have been approved by our City Council and the remaining sixteen (16) are scheduled to be presented during Spring 2020. Currently, ten (10) projects have been submitted to the GLO for review, two (2) have been approved. The ten (10) projects represent a total expenditure of approximately \$7 million. The 2nd NOFA will be released in Fall 2020.

The Harvey Public Service Program will expend all allocated funds by the contract deadline.

Barriers to Progress

To date, GLO is taking up to three (3) weeks (14 business days) to issue an approval or RFI after reviewing each project submitted. These additional days have a significant impact on Harvey Public Service Program being able to move forward in our internal approval process which causes delays to programs being funded.

Harvey Buyout Program

The Harvey Buyout Program Guidelines were conditionally approved by GLO on December 19, 2019. In March 2020, City Council approved the guidelines for the program. Currently, there are 3 multifamily properties pending a Letter of Intent and 1 multifamily property is under review.

The Harvey Buyout Program will expend all allocated funds by the contract deadline.

Harvey Economic Development Program

The Harvey Economic Development Program (HEDP) Guidelines were provided to GLO on January 31, 2020. The GLO provided feedback to the guidelines on February 27, 2020. Our staff has worked closely with GLO staff to resolve outstanding comments. HCDD will provide the revised guidelines by GLO's extended deadline of April 17, 2020.

Additionally, HEDP has started hiring additional staff and is continuing to policies and procedures for program design and operations. Elements being developed include procurement, proof of concept, small business development research, assessment of impact, compliance and reporting requirements for HUD and GLO, and outreach.

The HEDP is projected to launch by January 2021, and to be completed, including expending all funds, by January 2024.

Harvey Single Family Development Program

HCDD resubmitted the Harvey Single Family Development Program Guidelines to GLO on March 10, 2020. While awaiting GLO's response, in the interim we are drafting a preliminary NOFA and creating internal policies and procedures. Also, we have had meetings with interested stakeholders who have shared their plans they would like to propose at the appropriate time. Once GLO approves our guidelines, we will present them to City Council for approval and immediately release the NOFA.

The Harvey Public Single Family Development Program expects to expend all allocated funds by the contact deadline. There are organizations waiting for the release of the funds to assist in the mission of revitalization of Houston's affordable single-family housing stock.

Harvey Recovery Small Rental Program

On September 30, 2019, HCDD submitted revised Harvey Recovery Small Rental Program Guidelines to GLO noting material changes to the program. On October 9, 2019, GLO provided responses from the original submission of the Harvey Recovery Small Rental Program Guidelines (March 2019) to be addressed in the submission. In the meantime, we've had additional discussions regarding the program during our monthly meetings.

On January 23, 2020, we submitted the revised Harvey Recovery Small Rental Program Guidelines to GLO addressing comments. On February 11, 2020, HCDD received some non-material comments on the guidelines from GLO. On February 27, 2020, HCDD resubmitted the guidelines for GLO's review. GLO submitted comments to our Harvey Recovery Small Rental Program Guidelines and NOFA on March 23, 2020. On March 25, 2020, HCDD requested a meeting with GLO to discuss the comments provided. To date, we are still awaiting GLO's response.

In order to not further delay to program, on March 20, 2020, HCDD released the Harvey Recovery Small Rental Program NOFA.

The Harvey Recovery Small Rental Program expects to expend all allocated funds by the contract deadline.

Planning

Since early 2018, HCDD staff has worked with the GLO's staff to amend the *State of Texas Plan for Disaster Recovery Hurricane Harvey – Round 1* (Action Plan). In 2018, HCDD Planning staff created and submitted the City of Houston portions of the Action Plan, a Needs Assessment, and Applications for funding to the GLO. In 2019, HCDD Planning staff submitted several requests to update the Action Plan, including two substantial amendments and one minor amendment, and resubmitted the applications at the GLO's request. Also beginning in 2019, planning funds were used for the development of the 2020 Analysis of Impediments to Fair Housing Choice, the development of a Comprehensive Regional Housing Study, and the development of an On-Call Planning Request for Proposal (RFP).

HCDD Planning staff continues to work with other City Departments and the Mayor's Office to develop additional RFPs. Currently, several RFPs are under development and expected to be released this summer and fall, which include the Market Value Analysis and a Stormwater Master Plan. In December 2019, HCDD hired a Disaster Recovery Senior Planner to assist in managing planning funds.

The Planning and Grants Management Division expects to expend all allocated planning funds by the contact deadline.

Barriers to Progress

At the end of September 2019, GLO staff notified HCDD to submit any changes to be incorporated in the State Action Plan - Amendment 5 to the \$5B Action Plan for Hurricane Harvey (APA5) which was due by October 7, 2019. HCDD staff submitted our edits to GLO within a day of the deadline. GLO Harvey Grant Manager emailed HCDD with questions regarding specific language, which we requested clarification on, but received no response. HCDD staff also replied within the month regarding updated expenditure projections.

As a follow-up, HCDD staff emailed GLO on December 18, 2019 seeking an update on the incorporation of edits. Receiving no response, HCDD staff additionally followed up on January 7, 2020. In February, after a monthly GLO meeting, HCDD staff also inquired about updated versions of both APA5 and means of submission for State Action Plan - Amendment 6 to the \$5B Action Plan for Hurricane Harvey and received no response. The GLO posted on their website the State Action Plan – Non-substantial Amendment 5 to the \$5B Action Plan for Hurricane Harvey with an effective date of March 13, 2020, with no incorporation of suggested edits from the City of Houston.