



U.S. Department of Housing and Urban Development
Houston Field Office, Region VI
Office of Community Planning & Development
1301 Fannin, Suite 2200
Houston, Texas 77002
(713) 718-3199 - FAX (713) 718-3253
www.hud.gov

FEB 10 2017

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

Dear Mr. McCasland:

**SUBJECT: End of Year Assessment for Program Year (PY) 2011
July 1, 2011 through June 30, 2012**

A recently conducted file review revealed that the City of Houston did not receive correspondence from this office regarding the assessment of its 2011 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, 2012. 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).

Elements assessed during the CAPER review 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 review is completed 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 2011 CAPER are enclosed with this letter for the City to take under advisement.

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. At the time of the 2011 end of year

review, the City of Houston had 30 open findings related to the HOME Investment Partnerships Program (HOME) monitoring visits conducted in 2008, 2011 and 2012. The last of those findings were resolved in December 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.

For Program Year 2011, the City received \$27,342,559 in Community Development Block Grant (CDBG) funds, \$12,414,905 in HOME funds, \$1,327,628 in Emergency Shelter Grant (ESG) funds, and \$7,127,183 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 2011 was the second 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. Reports from IDIS 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 with the PY 2011 CAPER submission. The report reflected that all of the PY 2011 projects were classified correctly. At the time of submission, there were ten projects which required additional information to be entered in IDIS. The project numbers were: 8122, 8596, 8647, 8991, 9184, 9367, 9368, 9374, 9423, and 11045. The project information has been updated. As always, entitlement communities are 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).

An issue identified in the 2011 CAPER was the City's resolution of its loan portfolios. The City had funded four housing projects: IDIS 1201, IDIS 4376, IDIS 5480, and IDIS 6367 which appeared to not meet the required national objective and had resulted in Finding M11003 during the 2011 monitoring visit. The finding was closed however, the City was to provide documentation that in fact 51% of the units were occupied by low to moderate tenants and that the projects met a national objective. The City was instructed to reimburse its accounts with non-federal funds if the documentation was not provided. A review of correspondence and the Line of Control Credit System reveals that the City has not complied with the request. The City is asked to provide documentation that the four projects met a national objective. If in fact they did, this matter will be closed. In the event that a national objective was not met, the City will be asked to reimburse its accounts for the amounts funded. The City is also instructed to review its single family loan portfolio and assess the status of the loans and determine if a national objective was met. 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 reflected a 90.89% benefit to low- and moderate income persons. The percentage of funds obligated for public service activities was 10.46% of the grant amount and the percentage of funds obligated for administration and planning were 19.03% 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 2011 with a 1.45 ratio on May 2, 2012.

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 2010 HOME Commitments, 2010 CHDO Reservations and 2007 Disbursements as reflected on the HOME Deadline Report.

The HOPWA program was assessed by reviewing the HOPWA Measuring Housing Stability Outcomes (PR80) and the HOPWA Units/Households and Funds Expended (PR82) for program year 2011. The assessment of the ESG program was conducted by reviewing the ESG Performance Measures Report (PR81). The City achieved 86% housing stability for its TBRA HOPWA clients. The City successfully met its performance standards for both programs during their 2011 program year. These reports are readily available from IDIS and the City is encouraged to utilize them for self assessment.

The following was determined based on this office's assessment of the information provided in the PY 2011 CAPER: 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



U.S. Department of Housing and Urban Development
Houston Field Office, Region VI
Office of Fair Housing & Equal Opportunity
1301 Fannin, Suite 2200
Houston, Texas 77002
(713) 718-3199 - FAX (713) 718-3255
www.hud.gov

MEMORANDUM FOR: Sandra N. Warren, Director, Community Planning and
Development, 6ED
FROM: Christina Lewis, Director, Houston FHEO, 6EES
DATE: October 29, 2012
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 there were several multifamily housing rehabilitation/construction projects completed this program year. However, there was no indication as to whether or not these projects meet Section 504 accessibility requirements and whether or not there were site and neighborhood reviews completed prior to initiation of new construction.
2. The City did not state whether or not funds were allocated for fair housing activities for the program year reported. Please specify fair housing activities completed this program year and funds allocated.
3. In regard to citizen participation, the City did not indicate whether or not notices concerning community meetings would be made available in alternative formats, when needed, to persons with disabilities. The City did not provide copies of public notices.
4. In regard to Analysis of Impediments to Fair Housing, there were no tangible measurable goals addressed.
5. The HOPWA report indicated the City funded a housing project that only rents to HIV/AIDS affected men. This is in violation of the Fair Housing Act which prohibits discrimination based on sex.

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

Houston Redevelopment Authority

9545 Katy Freeway, Suite 105
Houston, Texas 77024
713-461-2749

February 16, 2017

Tom McCasland, Director
City of Houston Housing and
Community Development Department
P.O. Box 1562
Houston, Texas 77251-1562

RE: Reporting Documents for the Economic Development Agreement between Houston
Redevelopment Authority and the City of Houston

Dear Mr. McCasland:

Enclosed please find the Unaudited Financial Statement (January 31, 2017) along with
the Monthly Report on Funding (January 31, 2017) pursuant to the Economic Development
Agreement between Houston Redevelopment Authority and the City of Houston.

If you need anything further, please let me know.

Sincerely,



Robin Croix

Encls.

HOUSTON REDEVELOPMENT AUTHORITY
Statement of Net Position - UNAUDITED

	Accrual Basis (Unaudited) January 31 <u>2017</u>	Accrual Basis (Unaudited) December 31 <u>2016</u>	Accrual Basis (Audited) December 31, <u>2015</u>	Accrual Basis (Audited) December 31, <u>2014</u>	Accrual Basis (Audited) December 31, <u>2013</u>
<u>Assets</u>					
Cash	\$ 903,431	\$ 1,056,108	\$ 2,068,667	\$ 3,903,883	\$ 4,003,724
Grant receivable from HHFC	7,500	7,500	10,375	12,450	8,850
Total Assets	<u>\$ 910,931</u>	<u>\$ 1,063,608</u>	<u>\$ 2,079,042</u>	<u>\$ 3,916,333</u>	<u>\$ 4,012,574</u>
<u>Liabilities and Net Position</u>					
Accrued expenses	\$ 7,500	\$ 7,500	\$ 10,375	\$ 12,450	\$ 8,850
Interest payable to City of Houston	-	179	320	395	236
Unexpended CDBG grant funds payable to COH	899,964	1,052,471	2,064,859	3,900,000	4,000,000
Net position - unrestricted	3,467	3,458	3,488	3,488	3,488
Total Liabilities and Net Position	<u>\$ 910,931</u>	<u>\$ 1,063,608</u>	<u>\$ 2,079,042</u>	<u>\$ 3,916,333</u>	<u>\$ 4,012,574</u>

HOUSTON REDEVELOPMENT AUTHORITY
Statement of Revenues and Expenses and Changes in Net Position - UNAUDITED

	Accrual Basis (Unaudited) For the one month ended <u>1/31/2017</u>	Accrual Basis (Unaudited) For the twelve months ended <u>12/31/2016</u>	Accrual Basis (Audited) For the twelve months ended <u>12/31/2015</u>	Accrual Basis (Audited) For the twelve months ended <u>12/31/2014</u>	Accrual Basis (Audited) For the twelve months ended <u>12/31/2013</u>
Revenues:					
Grant from City of Houston (CDBG Funds)	\$ 152,507	\$ 1,153,029	\$ 1,835,141	\$ 100,000	\$ -
Grant from HHFC	-	7,500	5,775	12,450	8,850
Interest - Banking	9	-	-	-	-
Total Revenues	<u>152,516</u>	<u>1,160,529</u>	<u>1,840,916</u>	<u>112,450</u>	<u>8,850</u>
Expenses:					
Grant to Houston Furniture Bank (CDBG funds)	152,507	1,153,029	-	-	-
Grant to DBV Corporation (CDBG funds)	-	-	1,835,141	100,000	-
Grant to HHFC	-	-	-	-	3,794
Miscellaneous expenses	-	30	-	-	12
Audit Fees	-	7,500	5,775	12,450	8,850
Total Expenses	<u>152,507</u>	<u>1,160,559</u>	<u>1,840,916</u>	<u>112,450</u>	<u>12,656</u>
Change in net position	9	(30)	-	-	(3,806)
Net position, beginning of period	\$ 3,458	3488	3488	3488	7294
Net position, end of period	<u>\$ 3,467</u>	<u>\$ 3,458</u>	<u>\$ 3,488</u>	<u>\$ 3,488</u>	<u>\$ 3,488</u>

Monthly Report on Funding
 Economic Development Agreement
 Between the City of Houston and Houston Redevelopment Authority
 For the one month ended January 31, 2017

Statement of revenue and expenditures per project

Economic Development Loan Agreement between Houston Furniture Bank and HRA

Revenue from Houston Furniture Bank	\$	-
Funded to Houston Furniture Bank (CDBG funds)	\$	152,507

Economic Development Loan Agreement between D B V Corporation and HRA

Revenue form D B V Corporation	\$	-
Funded to D B V Corporation (CDBG funds)	\$	-

Monthly Report on Funding
 Economic Development Agreement
 Between the City of Houston and Houston Redevelopment Authority
 For the twelve months ended December 31, 2016

Statement of revenue and expenditures per project

Economic Development Loan Agreement between Houston Furniture Bank and HRA

Revenue from Houston Furniture Bank	\$	-
Funded to Houston Furniture Bank (CDBG funds)	\$	1,153,029

Economic Development Loan Agreement between D B V Corporation and HRA

Revenue form D B V Corporation	\$	-
Funded to D B V Corporation (CDBG funds)	\$	-

Monthly Report on Funding
 Economic Development Agreement
 Between the City of Houston and Houston Redevelopment Authority
 For the twelve months ended December 31, 2015

Statement of revenue and expenditures per project

Economic Development Loan Agreement between D B V Corporation and HRA

Revenue from D B V Corporation	\$	-
Funded to D B V Corporation (CDBG Funds)	\$	1,835,141

Monthly Report on Funding
 Economic Development Agreement

Between the City of Houston and Houston Redevelopment Authority
For the twelve months ended December 31, 2014

Statement of revenue and expenditures per project

Economic Development Loan Agreement between D B V Corporation and HRA

Revenue from D B V Corporation	\$	-
Funded to D B V Corporation (CDBG Funds)	\$	100,000