

# Memorandum



CITY OF DALLAS

DATE June 21, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Annual Community Assessment Letter for 2017 Program Year**

By the end of December each year, the City reports to the U.S. Department of Housing and Urban Development (HUD) on the prior year's activity that is funded with HUD grant funds through the Consolidated Plan. These grants include Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). HUD completed their review of the City's FY 2017-18 performance and issued the attached Annual Community Assessment Letter for the 2017 program year on April 30, 2019. The City's response to HUD's review letter is also attached.

As a result of the review, HUD determined that the City has carried out its program substantially as described in the Consolidated Plan; and has the continuing capacity to carry out our approved program in a timely manner. The letter also confirms the City's compliance with overall program requirements relating to spending caps and expenditure deadlines. Staff will continue working with HUD to address the areas identified as needing improvement and implement recommendations noted in the letter.

Please let me know if you have questions or require additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich  
Chief Financial Officer

[Attachments]

c: T. C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Billerae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
Michael Mendoza, Chief of Economic Development and Neighborhood Services  
Laila Alequresh, Chief Innovation Officer  
Liz Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
Fort Worth Regional Office, Region VI  
Office of Community Planning and Development  
801 Cherry Street, Unit #45, Ste. 2500  
Fort Worth, TX 76102  
www.hud.gov

APR 30 2019

T.C. Broadnax, City Manager  
City of Dallas  
Dallas City Hall, 4EN  
1500 Marilla  
Dallas, Texas 75201

Dear Mr. Broadnax:

**SUBJECT:** Annual Community Assessment for the 2017 Program Year

HUD is required to conduct an annual review of performance by grant recipients according to the provisions of the Housing and Community Development Act and the National Affordable Housing Act. We must determine that each recipient is in compliance with the statutes and has the continuing capacity to implement and administer the programs for which assistance is received. This is to report the results of our review of the City of Dallas' performance.

## **Report**

Our review is based on an evaluation of your consolidated planning process and progress in carrying out the programs, the management of funds by the City of Dallas and your subrecipients, information provided in the Consolidated Annual Performance and Evaluation Report (CAPER) and the Integrated Disbursement and Information System (IDIS), the results of on-site monitoring, and your achievement of program objectives.

On December 29, 2018, the city submitted its CAPER for the 2017 program year which covers October 1, 2017 to September 30, 2018. The city reported the following accomplishments in its CAPER.

- **Providing Decent Housing.**
  - HOME Investment Partnership Program (HOME) and Community Development Block Grant (CDBG) funds were used to:
    - reconstruct three and rehabilitate 124 single-family homes owned by low and moderate income (LMI) households.
    - provide homeownership assistance to 42 LMI homebuyers.
    - Increase the affordable rental inventory through construction of 35 new single-family homes and rehabilitation of 100 multifamily units.
  - Emergency Solutions Grants (ESG) funds were used to provide street outreach to a total of 562 homeless persons, emergency shelter to 8,272 homeless persons,

- rapid rehousing to 64 individuals, essential services to 857, and homeless prevention assistance to 309 persons at risk of becoming homeless.
- Housing Opportunities for Persons with AIDS (HOPWA) funds were used to provide housing assistance to 925 households.
  - The city administered 328 units of tenant-based rental assistance for homeless individuals and families using HOME funds and Continuum of Care Program funds.
- **Suitable Living Environment.** CDBG-funded public services activities provided assistance to 8,537 persons during the program year. Services provided included child care, job training and employment assistance, youth programs, and various programs designed to meet the needs of senior citizens. CDBG funds were also used for code enforcement, and to make improvements to 18 city parks and three recreation centers. Sidewalks improvements were completed on six streets in LMI areas.
  - **Expand Economic Opportunity.** To promote local economic opportunities, CDBG funds were used to make two small business loans which are expected to create nine jobs. During the program year, one of those businesses created one job which was filled by a LMI person. Ten jobs were created by two businesses loaned funds during the previous program year. According to information reported in IDIS, all ten jobs were filled by LMI persons.

We note the city's compliance with the following requirements.

- **Overall CDBG Program Benefit.** In program year 2017, 100 percent of CDBG funds (excluding funds expended for planning and administration) were expended on activities which principally benefit LMI persons; therefore, the city far exceeded the 70 percent minimum standard for overall program benefit.
- **CDBG Planning and Administration and Public Service Caps.** We used the CDBG financial summary report to perform the required compliance checks for the CDBG program, including the 20 percent cap on planning and administration and the 15 percent cap on public services. Planning and administration obligations were 15.78 percent of the grant plus program income. Public service obligations were 13.68 percent.
- **HOME Match Requirements.** The City of Dallas met its annual match requirement for the 2017 program year by using match credit from previous years.
- **ESG Program Expenditure Deadline.** Based on drawdown information in IDIS, the city met the 24-month grant expenditure deadline for its FY 2016 ESG grant allocation.
- **HOPWA Program Expenditure Deadline.** The city met the 36-month expenditure deadline requirement for its FY 2015 grant and is on track to meet the deadline for its FY 2016 grant.

## Areas Needing Improvement and Recommendations

We provide the following recommendations for your consideration as you continue to improve performance, develop and refine your Consolidated Planning process, and carry out your program.

- **HUD OIG Audit.** HUD's Office of Inspector General (OIG) audited the City of Dallas' HOME Program in 2017. The audit report issued on May 8, 2018 contained one finding and nine recommendations. The management decisions were communicated to the city in our letter of September 22, 2018. As of the date of this letter, four of the nine recommendations have been cleared and the city's response to one is currently under review. Responses to the remaining four recommendations are due on May 17, 2019 and July 31, 2019.
- **Onsite Monitoring.** This office conducted an onsite monitoring review of the HOME Program in 2017. Our December 21, 2018 letter communicated actions the city must take to clear the three findings that remain open. The city's response was due to this office on February 19, 2019 but has not been received.
- **Timely Expenditure of CDBG Funds.** On August 22, 2018, HUD cited a finding of noncompliance for the city's failure to meet the requirements for carrying out its CDBG program in a timely manner. To address the finding, the city submitted the required workout plan on December 12, 2018, which demonstrates how the city return the program to compliance with the CDBG regulations at 24 CFR 570.902. To meet the 2019 timeliness test, the city must have no more than \$22,215,245, in its CDBG line of credit on August 2, 2019. Our records indicate that on April 24, 2019, the city had a grant balance of \$29,218,995, and a program income balance of \$1,101,839, for a total of \$30,320,835, which is equivalent to 2.05 times its annual grant. To bring its CDBG program into compliance with the timeliness standard, the city must draw \$8,101,839 by August 2, 2019.
- **Timely Expenditure of HOME Funds.** The HOME Program regulation requires a HOME participating jurisdiction to expend its annual allocation of HOME funds within five years of receiving its HOME grant. Compliance with this requirement is based on a review of the PJ's allocations and expenditures, as reported in the Integrated Disbursement and Information System (IDIS) at the time of its deadline. As communicated in our letter of November 9, 2018, the city fell short of its September 30, 2018 deadline by \$1,178,446. The city provided documentation of expenditures in the amount of \$387,459, which were incurred but drawn before the deadline. Additional documentation of those expenditures was requested by this office on April 16, 2019. To be considered, the city must submit that documentation by May 10, 2019.
- **ESG Program Expenditure Deadline.** Based on drawdown information in IDIS, the city has drawn only 24 percent of its FY 2017 ESG grant of \$3,117,540. To meet the 24-month expenditure deadline, \$2,369,861 must be expended by October 19, 2019.

## Conclusion

As a result of our evaluation, we have determined that the City of Dallas has carried out its program substantially as described in its Consolidated Plan; and the city has the continuing capacity to carry out its approved program in a timely manner. However, there are instances where the Consolidated Plan as implemented has not complied with the requirements of the Housing and Community Development Act and other applicable laws and regulations, as discussed in this letter.

We are providing the city with 30 days from the date of this letter to comment on this report. Should the city wish to comment or request changes to it we will take them into consideration and provide a written response. If no comments are received within the period allowed, this report will be considered to be in final form. Once it is in final form, it will be made available to the public upon request.

This report is intended to be shared with the public. You may provide copies to interested persons such as the news media, members of local advisory committees, and citizens attending public hearings. We request that you provide a copy of this letter to the Independent Public Accountant who performs the single audit of the city in accordance with OMB Circular A-133.

If you have any questions, please contact Kristin Hadawi, Senior Community Planning and Development Representative, at (817) 978-5959.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shirley J. Henley". The signature is fluid and cursive, with the first name being the most prominent.

Shirley J. Henley  
Director

cc: Chan Williams, Assistant Director, Office of Financial Services



June 6, 2019

Ms. Shirley J. Henley, Director  
U. S. Department of Housing and Urban Development  
Office of Community Planning and Development  
801 Cherry Street, Unit 45 – Suite 2500  
Fort Worth, TX 76102

Dear Ms. Henley:

Thank you for your letter dated April 30, 2019, transmitting HUD's Annual Community Assessment for the 2017 Program Year.

We appreciate you acknowledging our efforts to meet the statutory goals of the Consolidated Plan programs in providing decent housing, contributing to suitable living environments, and expanding economic opportunity. We also thank you for confirming the City's compliance with:

- Overall CDBG Program Benefit
- CDBG Planning and Administration and Public Service Caps
- HOME Match Requirements
- ESG and HOPWA Program Expenditure Deadlines

Finally, we appreciate HUD's work with the City to address areas needing improvement and your recommendations. We offer the following responses to the recommendations noted:

#### **HUD OIG Audit**

The City submitted its response to two of the four open recommendations from the HUD OIG audit of the HOME Program in 2017 by the May 17, 2019 due date. The final response and closeout of the remaining open recommendations, 1A and 1C, is due August 8, 2019, as agreed, and the City fully intends to meet that deadline as well.

#### **Onsite Monitoring**

On May 1, 2019, the City submitted its response to clear the remaining three findings from HUD's onsite monitoring review of the HOME Program in 2017.

#### **Timely Expenditure of CDBG Funds**

As noted in HUD's letter, the City failed to meet the requirements for carrying out our CDBG program in a timely manner. To determine compliance, HUD reviews two undisbursed funds ratios: the first test is based on grant funds alone (unadjusted); and the second test is adjusted for program income receipted in the Integrated Disbursement and Information System (IDIS). While the City met the first test, we did not meet the second test. Program income for FY 2017-18 was projected to be \$500,000. In January 2018, the City receipted an unanticipated repayment in the amount of \$1,600,000. This one-time amount was three times more than the total amount of program income that had been projected for the year. The City submitted the required workout plan to HUD demonstrating the City's plans to return the program

June 6, 2019  
Ms. Henley  
Page 2 of 2

to compliance with CDBG regulations. Activities are underway. Reimbursements for eligible expenditures will be completed by August 2, 2019.

**Timely Expenditure of HOME Funds**

On May 10, 2019, the City submitted additional documentation of the expenditures incurred before September 30, 2018 that were not entered into IDIS prior to the deadline.

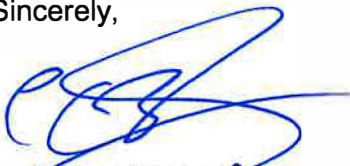
**ESG Program Expenditure Deadline**

The City is aware of the 24-month expenditure deadline and is working with all internal and external partners to expend all remaining funds. Spending the additional special \$1.9 million allocation in FY 2017 (over and above our normal annual allocation of approximately \$1.2 million) has proved challenging. The Dallas housing market conditions, along with specific program requirements, were exacerbating factors. The Office of Homeless solutions is working with ESG partners to mitigate challenges and reprogram ESG funds as necessary to ensure the City meets its expenditure deadlines.

The City of Dallas is committed to ensuring that programs are implemented successfully and funds are used in a timely manner. We look forward to continuing to work with you and your staff to improve, develop, and refine the City's housing program and community development programs.

If you have any questions, please contact Chan Williams, Assistant Director, Office of Budget, at (214) 670-5544.

Sincerely,



T. C. Broadnax  
City Manager

- c: Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
- Michael Mendoza, Chief of Economic Development & Neighborhood Services
- M. Elizabeth Reich, Chief Financial Officer
- Jessica Galleshaw, Director, Office of Community Care
- Monica E. Hardman, Director, Office of Homeless Solutions
- Jack Ireland, Director, Office of Budget
- David Noguera, Director, Housing & Neighborhood Revitalization
- Chan Williams, Assistant Director, Office of Budget