

Memorandum



CITY OF DALLAS

DATE October 12, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **Community Development Block Grant Funds
Timely Expenditure Tests and Repayment of Funds**

This memo serves to provide an update regarding the Community Development Block Grant (CDBG) timely expenditure deadline and to notify you of a repayment of CDBG funds.

Timely Expenditure of CDBG Funds

The U.S. Department of Housing and Urban Development (HUD) requires that CDBG funds be spent in a timely manner. The timely expenditure regulations require that the City spend grant funds so that on August 1 of each year that the City has no more than 1.5 times the amount of the current year's CDBG grant allocation. The city spent CDBG funds more slowly than usual during FY 2017-18 due to reorganization within the Housing & Neighborhood Revitalization Department and development and approval of the new housing policy. However, the City still met the timely expenditure test and had an unspent grant balance below the required limit on August 1, 2018.

HUD has a second expenditure test that counts not only the annual CDBG grant allocation but also program income that the City receives during the year. The City received an unanticipated lump-sum program income payment of \$1.6 million although we had only anticipated \$0.5 million of program income for FY 2017-18. Therefore, for the second test, the City had an unspent balance that exceeded the allowed limit by \$886,774. HUD notified the City that a finding was issued for noncompliance with respect to the timely expenditure standards related to this test. To address this finding, we must develop and submit a "workout plan" providing detail of how the City will meet the expenditure requirement by August 1, 2019. Staff in the Office of Budget has been in communication with HUD and we will submit the workout plan to HUD no later than October 22.

Repayment of CDBG Funds

In July 2016, HUD's Departmental Enforcement Center (DEC) conducted an onsite review of the Bexar Street mixed-use development project located at 5203 Bexar Street. The total amount of grant funds for this project was \$1.9 million, which included \$1 million in CDBG funds and \$0.9 million in HOME funds. The purpose of DEC's review was to examine the use of funds spent for the residential/commercial development. The results of the review identified \$405,086 unsupported costs and questioned whether the project met a CDBG national objective. Housing & Neighborhood Revitalization Department staff worked with HUD since that time to address their concerns. After working on the concerns with HUD, the questions related

DATE October 12, 2018
SUBJECT Community Development Block Grant Funds
Timely Expenditure Tests and Repayment of Funds

to the CDBG national objective have been resolved and HUD required that \$111,422.21 be repaid since in HUD's determination the expenditures could not be supported. We issued a repayment to HUD on September 28, 2018 in the amount of \$111,422.21. This amount will be returned to the City's line-of-credit balance at HUD and available for the City to use on other eligible projects.

Please let me know if you need additional information.



M. Elizabeth Reich
Chief Financial Officer

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor 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
Directors and Assistant Directors