

Memorandum



CITY OF DALLAS

DATE September 21, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **HOME PROGRAM DEOBLIGATION AND REPAYMENT**

This memorandum serves to provide information regarding the HOME Investment Partnership Program (HOME) funds for the following matters:

- **commitment and expenditure deadlines that the Department of Housing and Neighborhood Revitalization (Housing) is at risk of not meeting;**
- **the amount of HOME funds that are subject to de-obligation and repayment;**
- **the reasons for the Department's inability to commit and expend funds timely; and**
- **Housing's plan of action to ensure HOME funds are committed and expended timely.**

Overview of Regulations and Commitment/Expenditure Shortfall

As a participating jurisdiction of HOME funding, the City of Dallas is subject to numerous regulations related to these federal funds. Specifically related to commitment and expenditure of HOME funds, Housing is required to commit and expend funds in a timely manner. The City was notified by HUD that (1) \$1,242,443.26 is subject to de-obligation (i.e. returned to the federal treasury) for not meeting the expenditure deadline; (2) \$620,389.65 in Community Housing Development Organization (CHDO) reservations is subject to de-obligation for not meeting the commitment deadline; and (3) the City must repay \$356,833.50 to the City's local HOME trust fund account with non-federal funds.

Expenditure Deadline Shortfall

Housing is to expend its annual allocation of HOME funds within five (5) years of receiving the funds. The 2013 HOME allocation has a balance of \$1,242,443.26 with an expenditure deadline of September 30, 2018 will not be met. The shortfall was attributed to underperforming contracted projects that were delayed for lack of CHDO certification, plans review and permitting, and organizational changes.

Commitment Deadline Shortfall

Housing is to reserve fifteen (15) percent of its annual HOME allocation for award to Community Housing Development Organizations (CHDOs) and commit the funds within 24 months. The 2016 HOME CHDO reservation in the amount of \$620,389.65 with a commitment date of October 31, 2018 will be available in a Request for Proposal process for certified CHDOs. Staff expects to present the proposal recommendations for Council approval on October 24, 2018.

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HOME Monitoring and Repayment of Funds

On April 11, 2017, HUD issued a HOME Monitoring Report that included 12 findings related to the City's non-compliance with HOME regulations and impacted the City's ability to make new commitments. Though, eight of the 12 findings have been cleared by HUD, the unresolved findings continue to prevent the City from creating activities and drawing funds for any new HOME-funded projects.

Housing has been working with HUD to respond to each of the findings and has provided supplemental documentation to HUD related to its administration of HOME-funded activities. On September 18, 2018, HUD requested the City to repay \$356,833.50 as corrective action related to one of the findings. After receiving repayment, HUD will then allow new project commitments and draws.

Strategic Plan and Implementation

Housing has already developed and begun implementing a strategy that will guide it in committing and expending HOME funds in a timely manner and in compliance with HOME regulations. This plan and strategy includes:

- On August 30, 2018, Housing issued a Notice of Funding Availability (NOFA) for its New Construction and Substantial Rehabilitation Program. The City anticipates funding numerous HOME-eligible projects through the NOFA and will underwrite each project prior to award;
- Housing will undergo a reorganization that will align staff positions with priorities of the comprehensive housing policy and create an organizational structure where compliance is prioritized; and
- Housing is developing a better project management system that will allow staff to identify underperforming projects sooner so that staff can work with the developer or contractor to identify reasons for the underperformance and resolve the issues or seek approval to reallocate funding from the underperforming contracts.



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Housing & Neighborhood Revitalization

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