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MAR 03 2016

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City of Conroe
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**COMMUNITY DEVELOPMENT
CITY OF CONROE**

MAR 07 2016

**NANCY S. MIKESKA
ASSISTANT DIRECTOR**

Dear Ms. Mikeska,

SUBJECT: End of Year Letter for 2013
October 1, 2013 – September 30, 2014

The primary purpose of this letter is to share the U. S. Department of Housing and Urban Development's (HUD) conclusions of the single program included in the City of Conroe's Consolidated Annual Performance and Evaluation Report (CAPER), received in this office on December 29, 2014. The evaluation is drawn from the grantee's CAPER, data as reported in the Integrated Disbursement and Information System (IDIS) and other information (Consolidated Plan, financial reports, etc.) available to this office. Through this performance review, HUD's Office of Community Planning and Development (CPD) is enabled to perform an evaluation of the statutory and regulatory requirements for program progress, review program management and determine whether or not the City has the continued capacity to sufficiently implement and administer the program for which federal assistance is provided.

In preparing this letter, CPD has analyzed the City's management of funds and activities undertaken for continuity with the priorities and objectives set forth in the City's Consolidated Plan. Therefore, the information provided in the CAPER for this and past program years was examined for conformity with the statutory and regulatory requirements (Part 91.520 and 91.525). CPD's review is based on an analysis of the City of Conroe's consolidated planning, program progress in the program management of funds, the annual performance report, and the achievement of program objectives. In Program Year 2013, the City of Conroe received \$579,288 in Community Development Block Grant (CDBG) funds.

Primary Benefit: In 2013, the City expended 100 percent of its CDBG funds for activities that benefit low-and moderate-income (LMI) persons. This percentage exceeds the 70 percent minimum standard as found in 24 CFR 570.200(a)(3) for overall program benefits. CPD congratulates the staff for the City's strong emphasis on activities which benefit low-and moderate-income persons.

Planning and Administration: In 2013, as reflected in the CDBG Financial Summary Report (PR 26), the amount of funds spent on planning and administration with CDBG funds was 20 percent which equals the 20 percent cap or limitation for these activities. As a result,

Conroe is in a state of compliance with the cap standard at 24 CFR 570.200(g). However, the City should be vigilant with regard to this requirement in the future so as to ensure that the cap is not inadvertently exceeded.

Affordability of Decent Housing

In Program Year 2013, the City had a critical objective pertaining to reconstruction. Specifically, the City had the goal of providing decent and affordable housing for ten units over five years by means of reconstruction when rehabilitation was not feasible in specific housing target areas of the City. This multi-year objective translated into a yearly goal of two for each of the five years that constitute the term of the current Consolidated Plan. The actual accomplishment for 2013 exceeded the goal by one unit. A total of eleven units were reconstructed in the first four years of the term of the Consolidated Plan instead of the requisite eight. CPD congratulates the City on accomplishing and already surpassing the five year goal prior to the end of the five year period.

Sustainability of Suitable Living Environment

In Program Year 2013, the City of Conroe had an objective relating to the Community Clean-Up Program in order to improve health and safety conditions. It is a project in which CDBG funding is paying for the demolition and removal of debris from the Housing Target Area. The City of Conroe fully met this goal with 100 percent compliance in 2013 by completing a clean-up activity in the Housing Target Area.

Integrated Disbursement and Information System (IDIS)

The IDIS system is a crucial system which is relied upon to properly evaluate the condition and progress of the CDBG Program for entitlements. As such, the accuracy and pertinence of the information within it is a prime priority. The City of Conroe does provide a substantial amount of detailed and helpful information in the accomplishment narrative fields of IDIS as reflected in the CDBG Activity Summary (GPR or PR 03) Report for Program Year 2013. Indeed, the City does a superior job of documenting accomplishments. CPD is grateful for the efforts undertaken to provide specific accomplishment narratives in that field.

CPD encourages all CDBG grantees to act in a proactive rather than reactive manner in order to resolve matters prior to the necessity of a Remediation Plan. Detailed instructions and guidance regarding these matters may be found at the links that follow:

http://www.hud.gov/offices/cpd/systems/idis/cdbg/cdbg_idis_11_4_faq.pdf

http://www.hud.gov/offices/cpd/systems/idis/cdbg/cdbg_grantee_inst_idis.pdf

<https://www.hudexchange.info/onecpd/assets/File/CDBGGranteeInstructionsIDISRelease.pdf>

Program Progress

CPD is required to determine annually whether each CDBG entitlement grantee is carrying out its activities "in a timely manner." The Department became concerned when the

number of grantees not in compliance with the timeliness provision significantly increased since slow implementation of activities delays the delivery of program benefits to the neediest in the community. A grantee is considered to be timely, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times the annual grant (24 CFR 570.902). At the time of Conroe's August 2, 2014 test date, the ratio stood at 1.30.

Important guidance may be found at the link that follows:

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_12044.pdf

We encourage the City to continue utilizing the IDIS report as an effective tool for keeping track of drawdown progress. IDIS will calculate a current drawdown ratio and the exact dollar amount that the City will need to draw down to reach the required 1.5 standard.

Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color, or national origin in all HUD-assisted programs. Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. Title VIII was amended in 1988 by the Fair Housing Amendments Act, which expanded the coverage of the Fair Housing Act to prohibit discrimination based on disability or on familial status (presence of a child under the age of 18 and pregnant women). In the HUD workforce, Fair Housing and Equal Opportunity (FHEO) staff have the primary responsibility of ensuring compliance with fair housing laws. With reference to fair housing, we bring to your attention that Linda Sanford, Equal Opportunity Specialist, has been assigned as Conroe's FHEO contact pertaining to HUD fair housing issues. Specifically, FHEO stated that "We have reviewed the subject documents in accordance with 24 CFR Part 91.520 and have found the following:

"1. The Section 3 reporting system is still unavailable. The system is still disabled for the submission of the 2013 and 2014 reports. The Economic Opportunity Division does not have any estimate of when the on-line Section 3 reporting system will be re-launched. Grantees should maintain their records for subsequent auditing and reporting purposes. No penalties will be imposed for failing to report timely while the system is unavailable. Additionally, no audit findings from OMB A-133 audits will be issued. The Economic Opportunity Division will issue a notice when the system is re-launched."

Audits

OMB Circular A-133 Audits of States, Local Governments and Non-profit Organizations requires Federal award recipients to have independent audits performed, if they expend \$500,000 or more in Federal funds during their fiscal year. Since the City of Conroe did exceed the threshold for this fiscal year, an independent audit applicable to A-133 was required and submitted to our office.

Conclusion:

In summary, based on reviews by the Houston staff, the following general determinations have been made concerning Conroe's performance during the 2013 Program Year:

1. The City has carried out its program substantially as described in its Consolidated Plan submission;
2. The Consolidated Plan submission as implemented generally complies with the requirements of the Housing and Community Development Act and other applicable laws and regulations; and
3. The City has the continuing capacity to carry out the approved program in a timely manner.

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. 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 the City'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 City's comments. Absent any comments by the City, this will be considered the final letter on this subject.

Again, we congratulate Conroe on those accomplishments achieved during the past year and look forward to seeing the excellent performance continue into the future. If you have any questions regarding this letter, please contact me or call Robert Beck, Community Planning and Development Representative, at 713-718-3119 and for other programmatic matters call Christine Cuddeback, Senior Community Planning and Development Representative, at 713-718-3117.

Sincerely,



Sandra H. Warren
Director, Community Planning and
Development