



U.S. Department of Housing and Urban Development

Honolulu Field Office – Region IX  
500 Ala Moana Boulevard, Suite 3A  
Honolulu, Hawaii 96813  
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DECEMBER 13 2007

Ms. Mary P. Waterhouse  
Director  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

Dear Ms. Waterhouse:

SUBJECT: Final Annual Community Assessment (ACA) Report  
Program Year 2006

2007 DEC 19 A 9:52

BUDGET & FISCAL SVCS  
BUD & FIS/CIP ADM  
C & C OF HONOLULU

This letter is in response to Mayor Mufi Hannemann's letter dated December 6, 2007 which responded to the U.S. Department of Housing and Urban Development's (HUD) Annual Community Assessment (ACA) Report. HUD appreciates the clarification and additional information provided by the City on the issues pertaining to its Community Planning and Development (CPD) programs. Enclosed is the Final ACA Report which notes that the City provided information showing that it fulfilled its Emergency Shelter Grant (ESG) match obligation. The City must make the report available to the public using the City's standard notification process.

If you have any questions regarding our comments, please call Rebecca Borja, Community Planning and Development Representative, at 808-522-8180, extension 265.

Sincerely,

Mark A. Chandler, Director  
Office of Community Planning  
and Development

Enclosure

cc:

Ms. Deborah K. Morikawa (w/ enclosure)

Director

Department of Community Services

City and County of Honolulu

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Honolulu, HI 96813

Ms. Holly Kawano (w/ enclosure)

Federal Grants Coordinator

Department of Budget and Fiscal Services

City and County of Honolulu

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Honolulu, HI 96813

# FINAL ANNUAL COMMUNITY ASSESSMENT REPORT

**City and County of Honolulu**  
**Program Year: July 1, 2006 to June 30, 2007**

HUD Point of Contact:

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## Introduction

The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require federal grant recipients receiving federal assistance under the Act to submit an annual performance report disclosing the status of grant activities. The Department of Housing and Urban Development (HUD) is required by 24 CFR 91.525 to determine whether the grant recipient is in compliance with the statutes, and has the continuing capacity to implement and administer the programs for which assistance is received. In accordance with 24 CFR 91.525, HUD's comments below, and the cover letter above, incorporate the Department's assessment of the City and County of Honolulu's (City's) Program Year 2006 performance.

In assessing the City's performance, HUD relied primarily upon the City's Program Year 2006 Consolidated Annual Performance and Evaluation Report (CAPER), technical assistance, on-site monitoring, and communications with the City's federal programs staff. During this period, the City generally met the intent of the Community Planning and Development (CPD) programs, which include, but are not limited to, the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs.

## Significant Performance Conclusions

Overall, the City has generally been successful in the management of its CPD programs, which includes the CDBG, HOME, ESG and HOPWA programs. In accordance with the CDBG regulations, the timeliness ratio benchmark should be 1.50 sixty days prior to the end of the City's program year. The City's CDBG timeliness ratio was 1.32 as of May 2, 2007. HUD commends the City staff for its hard work and efforts in bringing the City's timeliness ratio into

compliance at the May 2, 2007, test date. HUD encourages the City to continue seeking ways for timely project implementation.

## **CPD Programs**

### **CDBG**

The City used CDBG funds address housing and special needs, fair housing, homelessness, and community development needs during Program Year 2006. The City's management of its CDBG program has ensured that low- and moderate-income persons will primarily benefit and receive program assistance. During the Program Year, 100 percent of CDBG funds (excluding funds expended for administration and planning) were spent on activities that benefited low and moderate income persons.

The City's Consolidated Plan describes the following four priority concerns that will be addressed through the CDBG program: housing and special needs housing, homelessness, community development, and fair housing. HUD notes that the City has surpassed some of its goals, such as in the areas of providing funding for affordable housing, improving public facilities for persons with disabilities and the elderly, and providing various services to low- and moderate persons.

#### **The City:**

- Surpassed its housing and special needs goals for the program year.
- Provided 83 low interest loans to low and moderate income homeowners to correct the deteriorating and hazardous conditions on their properties and enable homeowners to live in a safer and healthier home environment.
- Completed four affordable housing projects that utilized CDBG funds.
- Renovated 80 City owned low and moderate income affordable rental units in Kulana Nani.
- Completed Piikoi Vista, a new 47-unit senior rental project.
- Completed Ainahau/Tusitala Vista, a 106 unit senior rental project.
- Completed Kahumana, a 34 unit affordable transitional rental project for homeless.
- Took action to address 14 out of 33 needs community development needs identified in its Consolidated Plan.
- Achieved its program year goals to strengthen communities through the acquisition, construction, and/or renovation of public facilities and improvements.

- Efforts resulted in four new or improved facilities, one each for the elderly, low and moderate income at risk youth, abused spouses and/or children, persons who are substance abusers.
- Acquired, constructed or renovated one new health facility for low and moderate income persons.
- Constructed or renovated 12 facilities to comply with ADA requirements and improved access for persons with disabilities.
- Acquired additional fire protection apparatus to benefit low and moderate income communities.
- Surpassed most of its goals to strengthen communities through public service.
- Served 35,366 people through its CDBG-funded public service activities. (Elderly persons, low and moderate income youth, and abused spouses and children benefited from new or expanded services)
- Provided low and moderate income persons much needed life skills, employment training, legal counseling, and advice.
- Surpassed its goal to strengthen communities through community, neighborhood and project development planning (assisted 27 communities to develop, review, or update strategic plans and prepare action plans).

The City did not accomplish its goals to:

- Acquire, construct, or renovate neighborhood facilities, parks, and recreational facilities that benefit low and moderate income communities.
- Provide additional services to benefit predominantly low and moderate income persons who are substance abusers.
- Provide additional health services for persons of low and moderate income.
- Improve infrastructure by removing architectural barriers for persons with disabilities.
- Reduce unemployment and underemployment through micro enterprise assistance.
- Provide technical assistance to communities to develop strategic plans for possible NRSA designations.

HUD notes the various activities undertaken by the City that are slow moving with little activity during the program year. These activities include Kukui Children's Foundation, ORI Anuenue Hale, Inc., and Pacific Gateway Center's Business Incubator. HUD acknowledges the City's efforts, as described in the CAPER, to work with the organizations to complete construction and start operations within the next twelve months. The City should continue to closely monitor these activities and ensure that they progress in a timelier manner.

HUD notes the following 2001 or earlier year funded activities currently underway with balances in IDIS: Kahuku Village Conversion, Aala Park Improvements, Community Investment Program, and Mobile Environmental Sewage Innovation Systems. The City should review the status of these activities and take affirmative steps to expend these CDBG funds, complete the activities, and report the accomplishments in IDIS.

Overall, the City has been successful in implementing activities that utilize CDBG funding. HUD encourages the City to undertake activities that will address unmet Consolidated Plan goals. As stated above, HUD congratulates the City on meeting the timeliness standard as required by the CDBG regulation.

### HOME

The City is expending its HOME funds toward projects that will assist low- and moderate-income persons. HOME funds are required to be committed within 24 months and expended within 60 months of the grant award. Failure to commit and expend funds within the required time period will result in the deobligation of the funds. During this period, the City met the commitment and expenditure requirements within the required time periods.

HUD congratulates the City for taking affirmative steps to remove two out of three flags regarding its HOME program performance. Specifically, the City improved significantly the percentage of completed rental disbursements to all rental commitments and the percentage of completed CHDO disbursements to all CHDO reservations. The City's efforts resulted in an overall ranking in the top 58 percent of local participating jurisdictions in the nation.

The City still has a flag for allocation years not disbursed. The City is ranked in the bottom seven (7) percent in the nation for HOME funds disbursed and is ranked in the bottom 22 percent in the nation for HOME funds committed. HUD recognizes that the City has made some improvements in its disbursement of HOME funds and strongly encourages the City to take steps to improve its timely expenditure and commitment of the funds. Continued poor performance in this area may result in the future loss of HOME funds.

During the program year, the City:

- Accomplished nine out of 12 affordable housing goals.
- Exceeded its goal of assisting low- and moderate-homebuyers owners HOME funded with low-interest down payment loans and closing cost loans to assist homebuyers qualified for a mortgage to purchase a home.

- Exceeded its goal to provide affordable rental housing for seniors.
- Used CDBG and HOME funds to provide grants and loans to nonprofit agencies to develop and acquire 187 rental units as affordable supportive housing for seniors and special needs populations.
- Made progress and accomplished housing and special needs goals to provided funds as gap/equity financing to nonprofit developers and increase affordable rental housing opportunities resulting in 78 affordable units in rental project.
- Used CDBG and HOME funds to construct, rehabilitate, and maintain one facility that provides affordable housing for low and moderate income families and persons with special needs.
- Did not meet its goal to develop additional transitional housing units designed to provide intermediate term housing and supportive service to homeless persons

During the program year, the City conducted on-site monitoring of four HOME assisted projects but fell short of its regulatory requirement to conduct an annual on-site inspection of HOME rental projects. HUD reminds the City that HOME regulations require that the performance of each contractor and subrecipient receiving HOME funds must be reviewed by the City at least annually. Failure to complete the inspections can result in the City's CPD funding certifications being challenged and may impact future HOME allocations.

HUD notes the various activities undertaken by the City that are slow moving with little activity during the program year: the Homeless Transitional Shelter, Ewa Villages, St. Francis Residential Elderly Care, and Senior Residence at Kapolei. HUD understands the challenges of implementing housing construction projects due to its high costs and encourages the City to continue its leveraging of other federal, state, and private resources to supplement its HOME allocations to further develop affordable housing projects on Oahu.

### ESG

The City supported a number of homeless shelters and providers during the program year. The City took action to address three (3) out of the five (5) homeless needs identified in the Consolidated Plan. The City:

- Provided funding to operate emergency and transitional shelters that provide immediate shelter to 2,253 homeless people.
- Funded case management and medical clinic services for 782 homeless persons that improved their personal situation and will eventually allow them to transition out of homelessness.

- Funded the renovation of two emergency and transitional shelters to provide safe and decent shelter for the homeless and to ensure that the shelters are maintained adequately and will continue to operate.
- Provided funding for emergency rental assistance that assisted persons at-risk for homelessness avoid eviction or assist homeless persons pay first months rent in addition to security deposit.

The City's support has ensured that the City's homeless are given an opportunity to become self-sufficient. HUD encourages the City to continue its support of its homeless providers.

During the program year, the City matched the \$453,742 in ESG funds provided by HUD with \$481,885 in CDBG match. HUD congratulates the City on meeting the dollar-for-dollar match required by the ESG regulations.

### HOPWA

The City distributes its HOPWA allocation to the Gregory House Programs and Life Foundation who provide rental assistance, emergency rental assistance, and supportive services to individuals with HIV/AIDS. HUD recognizes that the City has assisted more individuals than anticipated and has expended its HOPWA funds timely. Monitoring of the HOPWA program revealed the City was not managing the HOPWA program in a manner that ensured accurate reports or proper use of funds. As a result of the monitoring, the City has revised its process for managing the HOPWA program. It is anticipated that the changes implemented will improve the City's program performance and management.

HUD notes the City accomplished three (3) out of the five (5) goals to provide affordable housing for people living with HIV/AIDS through the HOPWA program. The City:

- Provided emergency rent, mortgage, and utility payment to 133 people living with HIV/AIDS who were at risk of homelessness and enabled them to maintain housing and avoid homelessness.
- Provided tenant-based rental assistance to 65 people living with HIV/AIDS who would otherwise be unable to afford to rent safe, sanitary, and secure long-term housing.
- Provided housing-specific supportive services to assist 118 people living with HIV/AIDS secure and maintain housing.
- Did not accomplish its goal to provide for the services of a volunteer services coordinator to coordinate the delivery of services to people living with HIV/AIDS by community volunteers.

HUD encourages the City to undertake activities that will address unmet Consolidated Plan goals.

### **Continuum of Care**

During Program Year 2006, the City has addressed its permanent supportive housing programs through the Institute for Human Services' (IHS) Shelter Plus Care program which will place chronically homeless persons into permanent housing in the community, and the Steadfast Housing Development Corporation's Shelter Plus Care program which provides rental assistance and supportive services to homeless persons with disabilities. IHS added eight (8) new beds to one of its Shelter Plus Care programs. United States Veterans Initiative began operation of its 12-bed permanent supportive housing program for homeless veterans with disabilities. Ohana Ola O Kahumana began operating an additional 34 new transitional units with 148 beds for homeless families. Housing Solutions expects to complete development of a 50-unit supportive housing project in Waianae by December 2008. Affordable Housing Homeless Alliance operated three homeless resource centers in Central, Windward, and North Shore.

The City continues to develop and strengthen its Continuum of Care program. The City is a participant in the Hawaii Interagency Council on Homelessness, whose goal is to develop a plan to more comprehensively integrate a system of housing and services to assist individuals who are chronically homeless. HUD wishes the City and the Partners in Care continued success in implementing actions to end homelessness.

### **Community Empowerment**

As part of its Consolidated Plan, the City developed a Citizen Participation Plan. The Plan is intended to develop ways to involve the public in the development of the Consolidated Plan/Action Plan. Opportunities were provided for citizen participation in the development of the Plan and performance report through public hearings. The City reported that no oral or written comments were received. HUD encourages the City to continue its efforts to foster public participation and encourage the City to explore additional opportunities to involve the public in its planning process.

### **Management of Funds**

In accordance with the CDBG regulations, the timeliness ratio benchmark should be 1.50 or below, 60 days prior to the end of the City's program year. On the test date of May 2, 2007, the City's timeliness ratio was 1.32. The staff responsible for the CPD programs work diligently to ensure HUD funding is spent in accordance with program requirements. HUD anticipates the City will strive to achieve the timeliness goals and that these efforts will ensure future CDBG funding will not be compromised.

## **Areas for Improvement and Recommendations**

The City needs to:

- Continue its efforts to strengthen internal controls and carefully monitor the CPD programs.
- Ensure that projects are timely and funds are protected from fraud, waste, and abuse.
- Comply with the HOME program rental housing monitoring regulations.
- Identify project obstacles and develop plans to address these obstacles in order to strengthen its programs.

## **Fair Housing & Equal Opportunity**

HUD notes that the City's Analysis of Impediments (AI) was completed in 2003-2004. HUD encourages the City to continue its activities that address the impediments identified in the AI document. The CAPER was forwarded to Mr. Jelani Madaraka, Lead Equal Opportunity Specialist, HUD Honolulu Field Office, to review for compliance with Fair Housing and Equal Opportunity requirements. He will forward any comments or questions he may have under separate cover.

## **Conclusion**

Overall, the City is meeting its community needs by planning and executing a Consolidated Plan with a vision for the future, and by implementing this Plan through its Annual Action Plan. As a result, the City has assisted the entire community, especially low- to moderate-income individuals. HUD encourages the City to continue its support of various housing and community development programs, and want to recognize the City's staff for their dedication to the CPD programs. The program staff is a credit to the City and its CPD programs.