ANNUAL COMMUNITY ASSESSMENT REPORT

City and County of Honolulu
Program Year 2012: July 1, 2012 to June 30, 2013

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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 Acts to submit an annual performance report disclosing the status of grant activities. The U.S. 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 2012 performance.

In assessing the City's performance, HUD relied primarily upon the City's program year 2012 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 Emergency Shelter Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) programs and was successful in its management of the ESG and HOPWA programs. However, HUD has serious concerns regarding the City's implementation of its Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) programs and its on-going capacity to manage the programs.

Significant Performance Conclusions

Overall, the City has had capacity issues with its management of its CDBG and HOME programs as follows:

- Since Program Year 2008, the City has failed the CDBG timeliness test every other year. On May 2, 2013, the City had a balance in the Line of Credit Control System and revolving loan fund that was 2.07 times the City's annual allocation, thus failing the timeliness standard of a 1.5 ratio. Such failure, if repeated on May 2, 2014 may result in a reduction of the City's next CDBG grant by 100% of the amount in excess of the 1.5 timeliness standards.

- The City has, on occasion, targeted CDBG funds to projects that encountered predictable delays that the City did not factor into the overall timely implementation of its CDBG program.

- HUD monitoring revealed CDBG eligible use and national objective weaknesses in the City's ongoing management of open and completed activities still within the eligible use period.

- HUD monitoring findings require the City to reimburse its CDBG program $7,924,850 with non-federal funds. However, to date the City has failed to come to an agreement with HUD and the subrecipient to resolve the repayment issue..

- HUD monitoring in 2011 revealed weaknesses in the City's HOME affordability requirements. To resolve the findings HUD required the City to revise its template for HOME written agreements and amend its written agreements for projects still within the affordability period. The City has 16 HOME assisted properties, worth $17 million, needing amendments to comply with the program requirements. Failure to meet the program requirements will likely result in disallowance of the HOME funds invested in the properties.

As a result of the City's recent history of unsatisfactory performance; lack of effective management systems in place to ensure program compliance; failure to timely resolve open findings; and concerns about the City's on-going capacity to manage its CDBG funds; HUD has determined that the City and County of Honolulu is a high risk grantee.

CPD Programs

CDBG

The City used CDBG funds to address affordable housing, homelessness, public services, public facilities, community development and economic development needs during program year 2012. During the program year, 82.71 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 high priority concerns that will be addressed through the CDBG program: housing and special needs housing, homelessness, community and economic development, and planning and administration. During the program year, the City expended $7,942,859 CDBG funds on 27 projects. The City met or surpassed the following Consolidated Plan goals for Program Year 2012 to provide access to emergency shelters for persons experiencing homelessness; provide services to stabilize conditions for persons experiencing homelessness; renovation shelters; provide microenterprise assistance; provide new or expanded services to low and moderate income youth; provide supportive services to victims of domestic violence; and provide supportive services to achieve self-sufficiency and well-being to low and moderate income persons and communities;

HUD reviewed the City's report of progress against the performance benchmarks established for the Wahiawa and Ewa Beach NRSAs. HUD determined that the City and its NRSAs are making progress towards achieving their goals. The City has taken the initial steps to offered enhanced flexibility in undertaking economic development, housing, and public service activities with its CDBG funds in communities with approved NRSAs. The City should continue to work with its NRSAs to create meaningful economic and employment opportunities and to demonstrate significant, measurable results towards revitalization of NRSA communities.

The City has six CDBG funded activities that are slow moving. These activities include Kulana Malama, Ewa Villages Area H, Habitat for Humanity Leeward, Hawaii Housing Development Corporation Hale Wai Vista, Honolulu Fire Department Land Acquisition for Hauula, Special Olympic Kapolei Complex, Nanakuli Hawaiian Homestead Community Association Cope Center, Honolulu Fire Department Aerial for Kuakini, Honolulu Fire Department Engine for Pawaa, and Catholic Charities Service Center Renovation. The City should continue to closely monitor these activities and ensure that they progress in a timelier manner. Failure to complete these activities in a timelier manner may result in repayment of CDBG funds.

HOME

The City is expending its HOME funds toward projects that will assist low- and moderate-income persons. During the program year, the City expended $3,458,383 HOME funds on six projects. 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.

The City took affirmative steps to maintain its good standing in three out of five indicators measured by HUD regarding the City's HOME program performance. Specifically, the City maintained good standing in percentage of renters below 50 percent of the area median income, percentage of occupied rental units to all rental units and percentage of allocation years not disbursed. The City's efforts resulted in an overall ranking in the 13th percentile which places the City in the top 87 percent of local participating jurisdictions in the nation.

The City has two HOME Program trouble indicators, one for percentage of rental disbursements to all rental commitments and the other for the percentage of completed CHDO disbursements to all CHDO reservations. The City is ranked in the bottom 2 percent in the nation for HOME fund rental disbursements to all rental commitments. The City is ranked in the bottom 3 percent in the nation for CHDO disbursements to all CHDO reservations. HUD strongly encourages the City to take steps to improve its timely expenditure of the funds as poor performance in this area may result in the future loss of HOME funds.

The City opened the doors to three HOME funded affordable housing projects that completed construction. The three HOME projects remain open in IDIS pending final payment or completion of occupancy report.

- Construction of Housing Solutions Seawinds;
- Construction of Hawaii Housing Development Corporation Hale Wai Vista; and
- Pacific Housing Assistance Corporation Maluohai.

The City needs to resolve all issues, report beneficiary data, and complete the above listed activities in IDIS in a timely manner. The HOME final rule at 24 CFR 92.502(d)(1) requires the City to enter project completion information into IDIS within 120 days of making a final draw for a project.

In addition to the three HOME funded activities above, the City has three more HOME funded activities that are slow moving. These activities include: Hui Kauhale Ewa Villages Area H, Hawaii Community Development Board Nanakuli Affordable Rentals, and Independent Living Waipahu Hale Kuhao Renovations. The City should work with the organizations to complete construction and start operations. The City needs to closely monitor these activities and ensure that they progress in a timelier manner. Failure to complete these activities in a timelier manner may result in repayment of HOME funds.

ESG

The City supported a number of homeless shelters and providers during the program year. The City expended $385,781 ESG funds and carried out six activities funding homeless shelter operations, essential services, homeless prevention and rapid rehousing. The City met or surpassed the following Consolidated Plan goal to strengthen communities for program year 2012 to provide access to emergency shelters for persons experiencing homelessness and provide services to stabilize conditions for persons experiencing homelessness.

ESG funds are required to be committed within 180 months and expended within 24 months of the grant award. The City has two slow moving activities funded in program year 2011: Waianae Coast Comprehensive Health Center homeless prevention and rapid rehousing.

The City should review the status of these activities and take affirmative steps to complete the activities and report the accomplishments in IDIS.

HOPWA

The City distributes its HOPWA allocation to the Gregory House Programs and Life Foundation who provide tenant-based rental assistance, short-term rent mortgage and utility payments, and supportive services to individuals with HIV/AIDS. During the program year, the City expended $496,658 HOPWA funds. The City met or surpassed its Consolidated Plan goals to provide affordable housing for special needs populations for program year 2012 and to provide housing specific supportive services to persons with HIV/AIDS to secure and maintain their housing.

The City's support has ensured that the persons with HIV/AIDS in Oahu have greater access to affordable housing and special needs services. HUD encourages the City to continue its support of its HIV/AIDS providers.

Continuum of Care

During program year 2012, the City was the led agency for the Honolulu Continuum of Care (CoC) application and was awarded $9.3 million in CoC funding for seven permanent housing projects, 10 transitional housing projects, one safe haven, one supportive service only project, and one homeless management information systems. 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. The City works in partnership with Partners In Care to develop, enhance and implement a Continuum of Care strategy for the homeless. HUD wishes the City and its partners 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 encourages 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 sixty days prior to the end of the City's program year. Since Program Year 2008, the City has failed the CDBG timeliness test every other year. On May 2, 2013, the City had a balance in the Line of Credit Control System and revolving loan fund that was 2.07 times the City's annual allocation, thus failing the timeliness test standard. Such failure, if repeated on May 2, 2014 may result in a reduction of the City's next CDBG grant by 100% of the amount in excess of the 1.5 timeliness standards. As a result of the City's recent history of unsatisfactory performance, HUD has determined that the City and County of Honolulu is a High Risk Grantee.

Areas for Improvement and Recommendations

In order to avoid a reduction in next year's CDBG grant amount and improve CDBG and HOME program compliance, the City needs to ensure timely expenditure of grant funds, through:

- Changes in overall City HUD programs (CDBG, HOME, HOPWA, ESG, etc.) management procedures as part of developing an action plan.
- Building timeliness into the process of determining which projects to fund;
- Avoiding prematurely funding projects not ready to move forward quickly; and
- Assisting subrecipients stage projects properly so large amounts of CDBG funds do not sit idle.
- Taking action to speed up the completion of existing projects and to obligate the funds faster by modifying or terminating projects.
- Completing environmental assessments and requests for environmental release of funds in accordance with 24 CFR Part 58.
- Meeting the minimum monthly CDBG expenditure/fund balance with the intent of achieving CDBG timeliness by May 2, 2014
- Strengthening the City's ongoing management of CDBG and HOME open activities and completed activities still within the CDBG eligible use period and HOME affordability period.
- Ensuring that HOME program written agreements and recorded deed restrictions adequately enforce requirements.
- Identifying project obstacles and develop plans to address these obstacles in order to strengthen its programs.

Fair Housing & Equal Opportunity

HUD encourages the City to continue its activities that address the impediments identified in the City's Analysis of Impediments (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 a high risk grantee that needs to improve program compliance. While HUD has concerns about the City's CDBG and HOME programs, HUD notes that the City has assisted low- to moderate-income communities and individuals. HUD encourages the City to continue its support of various housing and community development programs. In closing, HUD would like to recognize the City's staff for their hard work and dedication to the CPD programs despite decisions and program management issues that are beyond their control.