

ANNUAL COMMUNITY ASSESSMENT REPORT

City and County of Honolulu Program Year 2017: July 1, 2017 to June 30, 2018

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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. Per 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 (PY) 2017 performance.

In assessing the City's performance, HUD relied primarily upon the City's PY 2017 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 its HUD Community Planning and Development (CPD) programs which consists of the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Solutions Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) programs. However, HUD has serious concerns regarding the City's implementation of its CPD 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 CPD programs which consists of the CDBG, HOME, ESG, and HOPWA programs as follows:

- Although the City passed the CDBG timeliness test on May 2, 2018 with a timeliness ratio of 1.23, the City did so by reprogramming CDBG funds from nine CDBG activities and drawing down \$7,500,000 for two acquisition activities: the Gregory House Programs Young Street Acquisition 12 days before the deadline and the City's Ena Road Acquisition nine days before the deadline to meet CDBG timeliness. This represented the fourth time in the last five years that the City reprogrammed and drew down CDBG funds for acquisition activities to meet the CDBG timeliness requirement. The City needs to expend and drawdown at least \$5,495,347.84 before May 2, 2019 to meet the next CDBG timeliness test.
- The City failed to meet its PY 2012 HOME Program Expenditure deadline on July 31, 2017 and the PY 2010 HOME Expiring Funds deadline in September 16, 2017. As a result of not meeting the expenditure requirements, the U.S. Treasury recaptured \$1,343,593.91 of expired PY 2010 HOME funds on September 20, 2017 and HUD deobligated \$24,387.20 in PY 2012 HOME funds on December 1, 2017.

The City is in danger of missing its next HOME Program Expenditure and Expiring Funds deadlines. To meet the PY 2013 HOME Program Expenditure requirement deadline which occurs on December 31, 2018, the City needs to expend and drawdown \$545,814.65 from pre-2015 HOME funds before December 31, 2018. To meet the PY 2014 HOME Program Expenditure requirement deadline which occurs on July 31, 2019, the City needs to expend and drawdown \$2,987,638.65 from pre-2015 HOME funds before July 31, 2019. The City also has a balance of \$250,972.56 in PY 2012 HOME funds which will expire on September 19, 2019. These funds, if not expended by the deadlines, will be deobligated.

- The City has failed to expend \$105,270.88 in ESG PY 2016 funds by the October 11, 2018 deadline. Although the deadline has passed, HUD is allowing the City to expend its remaining PY 2016 ESG funds. The City needs to expend and drawdown its PY 2016 ESG funds by June 30, 2019. Should the City fail to expend and drawdown its remaining PY 2016 ESG funds by the deadline, HUD may deobligate the balance in PY 2016 ESG funds in IDIS on July 1, 2019.

The City is also in danger of missing its PY 2017 ESG Program Expenditure Deadline which occurs on October 19, 2019. The City needs to expend and drawdown \$1,736,144.41 in PY 2017 ESG funds before October 19, 2019.

As a result of the City's recent history of unsatisfactory performance; failure to timely resolve open findings; and concerns about the City's on-going capacity to manage its CPD funds; HUD has determined that the City 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 PY 2017. 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 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 \$22,724,787 in CDBG funds on 27 projects. The City met or surpassed the following Consolidated Plan goals for PY 2017: to support economic development; to provide services to victims of domestic violence, to provide services to the homeless; to provide services to low- and moderate-income populations; to renovate homeless shelters; to acquire affordable rental housing; and to improve public facilities.

When HUD conducted the CDBG timeliness test on May 2, 2018, the City had a balance in its line-of-credit of 0.87 times its annual grant. Taking into account the City's \$2,292,464.05 balance of CDBG program income and revolving loan funds, the City's timeliness ratio increased to 1.23 for the second tier of the CDBG timeliness test. Accordingly, the City was in compliance with the 1.50 CDBG timeliness standard. The City needs to expend and drawdown at least \$5,495,347.84 before May 2, 2019 to meet the next CDBG timeliness test.

HUD reviewed the City's report of progress for the Wahiawa Neighborhood Revitalization Strategy Area (NRSA). In earlier program years, the City took steps to offer enhanced flexibility in undertaking economic development, housing, and public service activities with its CDBG funds in communities with approved NRSA's. The City has two funded NRSA projects with the Wahiawa Community Based Development Organization (CBDO), a public service project and a capital improvement project. However, the two Wahiawa CBDO projects stalled, did not have any accomplishments, or expend any CDBG funds in PY 2017.

The City has 18 at risk CDBG activities. The City needs to complete the following at risk activities and bring them into national objective compliance: Honolulu Fire Department Hauula Fire Station, Trillium Housing Services Kaneohe Elderly Apartments, Nanakuli Hawaiian Homestead Community Association Farrington Highway Improvements, Feeding Hawaii Together Food Pantry Acquisition, Gregory House Programs Nanea Acquisition, City's Ena Road Acquisition, and Gregory House Programs Young Street Acquisition. The City has slow moving CDBG projects that drew down little to no CDBG funds in PY 2017: Pacific Housing Assistance Corporation Senior Center at Iwilei, Windward Spouse Abuse Shelter, Family Promise of Hawaii Support Services, Wahiawa CBDO NRSA public service and capital

improvement projects, Special Olympics Hawaii Sports Complex, Department of Community Services Rehabilitation Loan Program, Adult Friends for Youth Outreach and Advocacy Project, Family Promise of Hawaii Housing Placement for Homeless Families with Children, Helping Hands Hawaii Community Clearinghouse Program, and the IHS, Institute for Human Services, Inc. Rapid Triage and Intensive Service Coordination for Vulnerable Homeless. The City needs to closely monitor these activities and ensure that they progress in a timelier manner.

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 \$2,397,537.45 HOME funds on homebuyer, development of rental housing and TBRA projects. The HOME Program regulation requires a HOME participating jurisdiction (PJ) to expend its annual allocation of HOME funds within 5 years of receiving its HOME grant. Compliance with this requirement is based on a review of the PJ's allocations and expenditures, as reported in the Integrated Disbursement and Information System (IDIS) at the time of its deadline. The City failed to meet its PY 2012 HOME Program Expenditure deadline on July 31, 2017 and the PY 2010 HOME Expiring Funds deadline in September 16, 2017. As a result of not meeting the expenditure requirements, the U.S. Treasury recaptured \$1,343,593.91 of expired PY 2010 HOME funds on September 20, 2017 and HUD deobligated \$24,387.20 in PY 2012 HOME funds on December 1, 2017.

The City is in the bottom 20 percent in the nation for HOME funds for percentage of funds disbursed. To meet the next HOME Program Expenditure Requirement for PY 2013 HOME which occurs on December 31, 2018, the City needs to expend and drawdown \$545,814.65 from pre-2015 HOME funds before December 31, 2018. In addition, to meet the PY 2014 HOME Program Expenditure requirement deadline which occurs on July 31, 2019, the City needs to expend and drawdown \$2,987,638.65 from pre-205 HOME funds before July 31, 2019. The City also has a balance of \$250,972.56 in PY 2012 HOME funds which will expire on September 19, 2019. These funds, if not expended by the deadlines, will be deobligated.

The City is in the top 80th percentile in the nation for CHDO disbursements to all CHDO reservations. The City met the PY 2015 CHDO Reservation Deadline by committing \$800,000 in PY 2015 CHDO funds before the July 31, 2017 deadline. The City also met the PY 2016 CHDO Reservation Deadline by committing \$456,651 in PY 2016 CHDO funds before the October 31, 2018 deadline. To meet the next CHDO Reservation deadline, the City needs to commit \$339,490 in PY 2017 CHDO funds before the October 31, 2019 deadline, or HUD will deobligate these funds.

The City has three HOME funded activity that are slow moving: Artspace Projects, Inc. Ola Ka `Ilima Artspace Lofts, Department of Community Services Tenant Based Rental Assistance, and Honolulu Habitat for Humanity Building Homes for Low Income Families. The City needs to closely monitor these activities and ensure that they progress in a timelier manner. Failure to complete these activities in a timely manner may result in repayment of HOME funds.

ESG

The City supported several homeless shelters and providers during the program year. The City expended \$532,392 ESG funds and carried out eight activities funding homeless shelter operations, essential services, homeless prevention, and rapid rehousing. The City met or surpassed the following Consolidated Plan goals to strengthen communities for PY 2017 to provide emergency rental and utility assistance for persons experiencing homelessness and for persons threatened with eviction and to provide emergency shelter services for the homeless.

ESG funds must be committed within 180 months and expended within 24 months of the grant award. The City failed to expend \$105,270.88 in ESG PY 2016 funds by the October 11, 2018 deadline. Although the deadline has passed, HUD is allowing the City to expend its remaining PY 2016 ESG funds. The City needs to expend and drawdown its PY 2016 ESG funds by June 30, 2019. Should the City fail to expend and drawdown its remaining PY 2016 ESG funds by the deadline, HUD may deobligate the balance in PY 2016 ESG funds in IDIS on July 1, 2019. The City is also in danger of missing its PY 2017 ESG Program Expenditure Deadline which occurs on October 19, 2019. The City needs to expend and drawdown \$1,736,144.41 in PY 2017 ESG funds before October 19, 2019.

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 \$414,724 HOPWA funds. The City met or surpassed its Consolidated Plan goal for PY 2017 to provide housing specific supportive services to persons with HIV/AIDS to secure and maintain their housing.

The City met its HOPWA PY 2015 expenditure deadline by expending \$434,616 before the July 21, 2018 deadline. To meet the next HOPWA expenditure deadline, the City needs to drawdown and expend \$9,999.86 in PY 2016 HOPWA funds before the October 10, 2019 deadline.

The City's support has ensured that 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.

Housing Trust Fund

HUD recognizes that the State of Hawaii (State) has the primary reporting responsibility for the Housing Trust Fund (HTF) program and will review the State's CAPER as the official report. Although the State administers the HTF program, the City is a subgrantee of HTF funds

with considerable discretion in the selection of projects. In PY 2017, the State allocated \$1,425,000 HTF to the City. The City has not amended its PY 2017 Annual Action Plan to include the HTF, has not completed its project selection process for HTF, and has not committed PY 2017 HTF. The State's deadline to commit PY 2017 HTF is August 29, 2019. If the City does not commit its \$1,425,000 in PY 2017 promptly, the State may reallocate the funds to another County which will result in a loss of PY 2017 HTF for the community of Oahu.

Continuum of Care

During PY 2017, the City was the member agency for the Honolulu Continuum of Care (CoC) known as Partners in Care (PIC). The Honolulu CoC application was awarded \$9,353,552 in CoC funding for 11 permanent supportive housing projects, two rapid rehousing projects, one transitional housing projects, one Homeless Management Information System project, one coordinated entry system project, and one CoC planning project. 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 PIC 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. 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

On May 2, 2018, the City had a balance in the Line of Credit Control System, CDBG program income, and revolving loan funds that was 1.23 times its annual CDBG grant. Accordingly, the City was in compliance with the CDBG timeliness standard. The City needs to expend and drawdown at least \$5,495,347.84 before May 2, 2019 to meet the next CDBG timeliness test.

The City failed to meet its PY 2012 HOME Program Expenditure deadline on July 31, 2017 and the PY 2010 HOME Expiring Funds deadline in September 16, 2017. As a result of not meeting the expenditure requirements, the U.S. Treasury recaptured \$1,343,593.91 of expired PY 2010 HOME funds on September 20, 2017 and HUD deobligated \$24,387.20 in PY 2012 HOME funds on December 1, 2017.

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The City met its HOPWA PY 2015 expenditure deadline by expending \$434,616 before the July 21, 2018 deadline. To meet the next HOPWA expenditure deadline, the City needs to drawdown and expend \$9,999.86 in PY 2016 HOPWA funds before the October 10, 2019 deadline.

Should the City fail to meet the timeliness standards on each of the CPD funds, the City may have its grants reduced.

Areas for Improvement and Recommendations

To improve CPD program compliance, the City needs to ensure timely expenditure of grant funds, through:

- Implementing the City's redefined CPD (CDBG, HOME, HOPWA, ESG, etc.) program grants management structure table "City and County of Honolulu Grant Administrative Authority and Responsibility Table" which clearly lays out the various program responsibilities and authorities and assigns ultimate authority, including grant execution, to the Managing Director.
- Implementing the citywide final, updated written policies and procedures and written project selection procedures that govern the CPD programs and ensure compliance with CPD requirements.

- Building timeliness into the process of determining which projects to fund.
- Avoiding prematurely funding projects not ready to move forward quickly.
- Assisting subrecipients stage projects properly so large amounts of CDBG funds do not sit idle.
- Acting 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.
- Strengthening the City's ongoing management of CDBG open activities and completed activities still within the CDBG eligible use period.
- Identifying project obstacles and developing plans to address these obstacles 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. Mr. Madaraka will forward any comments or questions he may have separately.

Conclusion

Overall, the City is a high-risk grantee that needs to improve program compliance. While HUD has concerns about the City's CPD 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.