



July 23, 2020

Nadab O. Bynum, Director  
Office of Community Planning and Development  
US Department of Housing and Urban Development  
Philadelphia Field Office  
The Wanamaker Building  
100 Penn Square East  
Philadelphia, PA 19107-3380  
*Via Electronic Mail: nadab.bynum@hud.gov*

RE: Annual Community Assessment  
Commonwealth of Pennsylvania  
January 1, 2019 to December 31, 2019

Dear Mr. Bynum:

On behalf of the Commonwealth of Pennsylvania and the Department of Community and Economic Development (DCED), I would like to thank you for your thorough and timely analysis of our annual performance requirements under the provisions of the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990. As you have acknowledged, DCED has maintained ongoing commitment to improve operations and build capacity to properly administer the US Department of Housing and Urban Development (HUD) Community Planning and Development (CPD) activities and portfolio. We appreciate the ongoing support of you and your team in this effort and their support and guidance.

Please accept this correspondence as a summary of our comments on the assessment of our performance.

**Community Development Block Grant (CDBG)**

As you note, the Commonwealth's Community Development Block Grant Program awards funds to 198 entitlement cities, boroughs and townships, and counties using a formula distribution prescribed by Pennsylvania Act 179 of 1984. Commencing with the federal fiscal year 2015 allocation, DCED required administration of contracts to communities with populations less than 10,000 through their county. This action limited the number of contracts administered by DCED annually and significantly streamlined administration and oversight by the DCED staff. The action also assists DCED to build capacity among its grantee network for successful program implementation.

DCED continues to work with its grantees to ensure the timely expenditure of funds allocated for local projects in prior fiscal years. As of today, the Commonwealth has fully expended its 2013 CDBG balance and

all prior allocations have been fully expended. The Commonwealth's line of credit control system balance in CDBG is \$97,817,107 as of July 1, 2020. The balance includes a significant portion of the 2018 CDBG award and 2019 CDBG award. As of the date of this letter, DCED has committed all but \$502,415 of its 2019 allocation. This represents one DCED subgrantee who is making modifications to their proposed activities (\$445,048) and a small balance of discretionary funds (\$57,367) which are not sufficient to fund one discretionary activity. We expect that the remaining funds set aside for entitlement distribution will be formally contracted in advance of the November 12, 2020 deadline. The small remaining balance will be combined with the FY2020 discretionary resources for commitment to an eligible project. DCED has been working with and monitoring grantee expenditure rates to ensure that projects are moving along in a timely manner and not delaying draw for completed activities.

The CDBG team made great strides during the program year to achieve its monitoring goals. While the current coronavirus pandemic is impacting our ability to conduct on-site reviews, DCED staff continue to work with subrecipients to provide technical assistance and targeted guidance and, where staffing at the local level allows, some remote contract monitoring is taking place. My team and I continue to appreciate HUD's ongoing assistance to help DCED better manage the CDBG program and provide for continued subrecipient oversight.

#### **HOME Investment Partnerships (HOME)**

The Commonwealth's HOME program has seen some additional changes in the program year that culminated with staffing changes. A new HOME Program Manager started with the unit in January 2020 and a full complement of grant managers is on staff to work with HOME projects. The team is focused on HOME fundamentals while still working to ensure we support projects owned, sponsored or developed by Community Housing Development Organizations, regardless of the suspension of the requirement. The team continues to provide strong oversight with subrecipients in the understanding of the HOME rule and DCED expectations of state recipients and subrecipients. DCED's heightened attention to subgrantee activity has resulted in a significant decrease in the number of activities remaining open 120 days after the final draw and has helped to ensure that funds awarded for projects are able to be completed in a timely fashion.

DCED continues to work with its partner at Pennsylvania Housing Finance Agency to expand the CHDO activity in Pennsylvania and support non-profit developers to address affordable housing needs.

#### **Emergency Solutions Grant (ESG)**

DCED has continued to work under an improved oversight of the Emergency Solutions Grant in 2019. DCED closely monitors activity of subrecipients, with attention to expenditures and the makeup of each invoice. Remote monitoring of eligible expenses and clients occur at the time of invoicing followed by on-site performance reviews annually. Unfortunately, with an exceptionally aggressive timeline for full expenditure of grant funds within 24-months of the issuance of the HUD grant agreement, from time to time an unexpected return of funds from one or more subrecipient agencies can account for a significant unspent

balance at the close of the expenditure period with limited time to be able to liquidate and reallocate those funds through the Commonwealth's accounting system. HUD authorized a workout plan to reuse unexpended balances in 2015 (\$3,347.50 recaptured funds) and 2017 (\$49,613.03 project and admin funds) program years by December 31, 2020.

We are thankful for the opportunity that HUD has provided through our workout plan to retain these resources to ensure that homeless persons and families in Pennsylvania are able to receive the assistance they need. We believe that the processes in place to oversee grantee expenditures will provide a continued positive impact on the program in the future.

#### **Appalachian Regional Commission (ARC)**

DCED partners with the Appalachian Regional Commission and Local Development Districts in targeted Pennsylvania counties to support economic and social development in the Appalachian region. As a Basic Federal Agency, DCED oversees the award of funds from ARC through HUD to local communities.

DCED has recently implemented new oversight procedures in the operation of this program and has signed an agreement with the ARC to begin to administer grants as a Registered State Basic Agency (RSBA). This new structure will allow for greater flexibility and oversight of ARC dollars to Pennsylvania communities where CDBG or other federal funds are not being used in the project. One HUD ARC project remains open in Forest County, Pennsylvania with a balance of \$3,002.27. All funds under this project have been successfully drawn from LOCCS and the final project report has been prepared. Following the submission of the final BAMR, DCED will work with the field office to request a disencumbrance of the final balance for this activity.

#### **Neighborhood Stabilization Program (NSP)**

The Commonwealth is appreciative of the support of HUD through the closeout of the Neighborhood Stabilization Program. DCED has worked very closely with the HUD Regional Office and HUD Headquarters to complete the formal closing of the grant during the program year. Additionally, DCED has contracted with the City of Pittsburgh and Washington County for use of a significant portion of the remaining \$3 million in program income and US Treasury funds available for distribution under the NSP1 allocation. Both communities have new homeownership projects underway with completion expected in the coming year.

#### **Fair Housing and Equal Opportunity (FHEO)**

DCED continues to work closely with our partner units of local government to affirmatively further fair housing through the implementation of our Analysis of Impediments. DCED continued to work with the PA Municipal League to complete several tools for our partners to utilize to better understand their responsibility locally.

**Community Development Block Grant Disaster Recovery (CDBG-DR)**

As you note, the impacts of Hurricane Irene and Tropical Storm Lee and subsequent disaster declarations in 2011 have made a lasting impact on 36 Pennsylvania counties. DCED is appreciative of the strong working relationship developed with HUD in the implementation plans to expend the CDBG-Disaster Recovery allocations of funding, which include an aggressive commitment and expenditure deadline associated with the appropriation under P.L. 113-2.

As of the date of this letter, DCED has seen tremendous progress in its funded activities across Pennsylvania. Planned buyout activity, in partnership with the PA Emergency Management Agency, have been completed in four counties in northeast and central PA under budget. Infrastructure projects are nearing completion or have achieved completion, including the restoration of the Wilkes Barre Solomon's Creek wall, which was completed under budget, and the Bloomsburg Flood Levee and Pine Grove Wetlands restoration project are set for final inspection and completion this summer. The Silk Mills affordable housing development in Bloomsburg, Columbia County was completed amid the COVID-19 pandemic and is moving toward full occupancy.

DCED has issued a request for proposals to seek projects from eligible communities to expend the balance of funds remaining from projects which were completed under budget. Proposals are due in August and following a review of remaining need, DCED will identify specific local projects and priorities to be included in substantial amendments to the action plans for the P.L. 112-55 and 113-2 allocations for HUD consideration.

In all, DCED and the Center for Community and Housing Development continue to move in a positive direction and has put into place a structure and team to effectively meet the dynamic needs of the housing and community development programs of the CPD office. We are appreciative of your guidance and support and look forward to continuing to work together toward the betterment of Pennsylvania's people and the communities in which they live.

Sincerely,



Kathy Possinger

Director

Cc: Dennis M. Davin, Secretary, DCED  
Richard P. Vilello, Jr., Deputy Secretary Community Affairs and Development, DCED  
Xiaomin Cai, Senior CPD Representative, HUD