



U.S. Department of Housing and Urban Development

**Philadelphia Office
The Wanamaker Building
100 Penn Square East
Philadelphia, Pennsylvania 19107-3380**

June 18, 2020

The Honorable Dennis M. Davin
Secretary of Community Affairs
and Development
Department of DCED
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

Dear Mr. Davin:

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

The Department issues an Annual Community Assessment letter to inform grantees of their status in meeting the Department of Housing and Urban Development's (HUD) performance requirements. This year, in addition to providing a summary of the Commonwealth of Pennsylvania's administration of its grant portfolio by the Pennsylvania Department of Community and Economic Development (DCED) and the Pennsylvania Department of Health (DOH), the Department is providing you with information on the steps the Commonwealth has taken, and must continue to take, to improve its capacity in administering its HUD programs. The Department has taken steps to assist the Commonwealth in administering its programs through the provision of extensive technical assistance through a Memorandum of Agreement that was completed in 2017. The Department is confident, that with this assistance and the Commonwealth's ongoing commitment to improve its operations, it has built the capacity necessary to properly administer HUD's programs.

Introduction

The provisions of the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require the annual submission of performance reports by grant recipients receiving federal assistance through programs covered under these Acts. Additionally, these Acts require that a determination be made by the Secretary of the Department of Housing and Urban Development (HUD) that 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.

Section 91.525 of the Consolidated Plan regulations requires the Department to evaluate and report to the public on a grant recipient's overall progress in the management of its program funds, compliance with the Consolidated Plan, the accuracy of performance reports, and the extent to which progress has been achieved toward the statutory goals identified in Section 91.1. This letter serves to apprise you of our assessment of the Commonwealth's overall progress.

In making our evaluation, the Department relied primarily on the Program Year 2019 Consolidated Annual Performance and Evaluation Report (CAPER) and the Performance and Evaluation Report (PER). The CAPER/PER summarizes the Commonwealth's accomplishments with respect to the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program and the Emergency Solutions Grants (ESG) Program. The CAPER also includes reporting on the Housing Opportunities for Persons with AIDS (HOPWA), that is administered by the Pennsylvania Department of Health (DOH). The Philadelphia office also reviewed the Line of Credit Control System (LOCCS), Disaster Recovery Grants Reporting System (DRGR) for the Community Development Block Grant Disaster Recovery (CDBG-DR), and Neighborhood Stabilization Program (NSP). In addition, the Department considered technical assistance, handling of citizen complaints and comments, as well as conversations with Commonwealth staff. This letter is a summary of our review of the Commonwealth's overall performance.

Community Development Block Grant Program

In its effort to promote diversity and comprehensive community development strategies of its subgrantees; for CDBG program year (PY) 2019, the Commonwealth of PA allowed subgrantees to determine projects of most need for their respective municipalities. For the CDBG Entitlement Program under Act 179 state law, eligible applicants must present a Three-Year Plan identifying short- and long-term objectives. These were then compared with proposed projects by the applicant for funding and CDBG eligibility prior to approval for funding. DCED has since then moved forward in contracting funds to subrecipients. Beginning in PY 2015, any entitlement boroughs and townships with a population of less than 10,000 were required to submit their application by way of their county, resulting in a relationship where the county administered the CDBG grant on behalf of the municipality.

The Department reminds the Commonwealth that the provisions of the HUD regulations in 24 CFR 570.494 require that a state must obligate and publicly announce to units of general local government all of the state's annual grant within 15 months of the Commonwealth signing its grant agreement with HUD. The Commonwealth was timely in obligating its FY 2018 funds by January 24, 2020. Its obligation deadline for its FY 2019 CDBG funds will be November 12, 2020.

The Commonwealth has consistently exceeded the primary objective of the Community Development Act of 1974, to ensure that not less than 70 percent of CDBG fund expenditures are for activities which benefit low and moderate-income persons. For FY 2019 funds, the Commonwealth expended zero percent, less than the required cap for public services, which is a 15 percent cap; and 0.8 percent in general administration, well below the cap. The Commonwealth has capped its administrative expenses at two percent under Act 179.

During FY 2019, Pennsylvania provided all documentation to closeout FY 2000 to FY 2003 CDBG funding. Pennsylvania also continues to be on monitor its grantees and subgrantees. During FY 2019, a total of 201 on-site CDBG monitoring visits were conducted.

HOME Investment Partnerships Program

The Consolidated Appropriations Act of 2017 (P.L. 115-141) suspends the 24-month HOME commitment requirement for deadlines that occurred or will occur in 2016 through 2020. Therefore, HUD will not enforce cumulative and grant-specific commitment requirements for deadlines in 2019. The Commonwealth must continue to meet its CHDO reservation and expenditure requirements by committing an amount equal to its CHDO reservation requirement to projects owned, developed, or sponsored by CHDOs, and disbursing an amount equal to its expenditure requirement, as shown on the both versions of the monthly HOME Deadline Compliance Status Reports. The Commonwealth of Pennsylvania met its 2019 Community Housing Development Organization (CHDO) requirement deadline on October 31, 2019.

The Department also reminds grantees that all HOME projects should be closed within 120 days of their final draw. The Commonwealth has made significant progress in maintaining up to date information in the Integrated Disbursement Information System (IDIS) system for the HOME program. DCED continues to work closely with the Philadelphia Office in closing and cancelling HOME projects as required.

DCED continues to make progress in addressing deficiencies cited in the previous monitoring reports for inadequate oversight and monitoring of subrecipients. During FY 2019, a total of 38 on site HOME contracts were monitored.

Emergency Solutions Grant Program

All grant recipients must expend Emergency Solutions Grants (ESG) funds for eligible activity costs within 24-months after the date HUD signs the grant agreement with the recipient. DCED had failed to meet the timeliness requirement of the grant program in violation of 24 CFR 576.203(b) for FY 2014-2016 as well as for FY 2017. On April 18, 2019, our Office approved DCED's request to allocate the balance of 2014, 2015 and 2016 funds as outlined in its workout plan date April 10, 2019. The FY 2017 ESG funds expenditure deadline was October 19, 2019 and the Commonwealth requested a workout plan for expending the remaining 2019 funds on April 2, 2020. Our office approved the workout plan on April 17, 2020, with the notation that the

Commonwealth anticipates swift review and contracting process to expend the balance of \$103,347.50 FY 2015 ESG funds and \$49,613.03 FY 2017 ESG funds by December 31, 2020, primarily to address the current pandemic situation.

Housing Opportunities for Persons with AIDS Program

The Department of Health, Division of HIV/AIDS, received \$3,519,385 in Housing Opportunities for Persons with AIDS (HOPWA) formula funds for FY 2019. This funding included allocations to seven regions that are being administered by the Commonwealth. HOPWA funds assisted a total of 602 households with persons living with HIV/AIDS through tenant-based rental assistance, short-term rent, mortgage, utility assistance and permanent housing placement services. Additionally, 130 households received supportive services case management.

Appalachian Regional Commission Grants

The Appalachian Regional Commission (ARC) was established by Congress in 1965 to support economic and social development in the Appalachian Region. The ARC does not have the authority to write implementation grants directly. Therefore, it passes grant moneys through other Federal agencies, such as HUD. These agencies act as an administering agency, or basic agency for ARC projects. On average, about \$12-18 million dollars of ARC funds are assigned to HUD each year. Most of the projects are carried-out under the State Community Development Block Grant (CDBG) Program.

In order for HUD to administer funding for an ARC project, the project must meet one of the three statutory CDBG national objectives, must be an eligible activity, must be an eligible CDBG grantee, and must certify that the project will meet all of the applicable programmatic requirements.

Projects receiving ARC funding through HUD are initiated by the grantee, either as an Entitlement, or through a state program administrator, seeking ARC approval for funding and requesting that the funds be passed-through HUD under the CDBG Program. The CDBG Program serves as the vehicle to transfer funds to states or local government grantees for approved projects, but HUD plays no role in the initiation or selection of projects for ARC funding, only the verification that the projects comply with the CDBG statutory and regulatory requirements.

DCED requested the de-obligation of four ARC grants in 2018: ARC Grants for De-Obligation (PA) - PA1561207 – Clearfield County Commissioners; PA1686821411 – City of Uniontown; PA1725421412 – County of Schuylkill and PA 1766121413 – Jefferson County Commissioners. Commonwealth provided all required documentation, and the official records were transmitted to HQs for processing in August 2019 and the final de-obligation of funds for these ARC projects will be processed by the HUD Accounting Office. As of April 28, 2020, DCED has one more outstanding ARC project PA1903921417 with a balance of \$5,255.54 (as of

May 28, 2020). The Philadelphia Office along with HUD Headquarters continue to work closely with the Commonwealth in ARC project completion and closeout documentation.

Neighborhood Stabilization Program

The Commonwealth was competitively awarded \$59,631,318 under the Housing and Economic Recovery Act (HERA) of 2008, Neighborhood Stabilization Program (NSP) to 30 localities (19 counties, 10 cities, and one township). The funds are intended to address the problems of abandoned and foreclosed homes and other residential properties, while providing affordable rental and homeownership opportunities to households in areas of the greatest need with incomes up to 120 percent of the Area Median Income. DCED continues to expend program income and has been updating and reporting these activities in DRGR. As of 12/31/2019, that there are still two active NSP projects: City of Pittsburgh - PITT-001, PITT-002, PITT-003, and PITT-004 and Washington County – WASH-001 and WASH-002. DCED continues to make progress towards completing activities, expending the remainder of NSP funds and prepare for the closeout of this grant.

The Commonwealth also received \$5,000,000 in funding under the Neighborhood Stabilization Program (NSP-3) in Fiscal Year 2011. The Commonwealth made awards to six grantees (three cities, two counties and one township) in the spring of 2011. The Philadelphia Office executed the NSP Closeout Certifications for B-11-DN-42-0001 on February 28, 2019. Through the efforts of DCED staff, the Philadelphia Office and HUD Headquarters the final closeout for NSP-3 has been completed in FY 2019.

Fair Housing and Equal Opportunity

Program participants are hereby reminded that the legal obligation to affirmatively further fair housing remains in effect, and the Department places high priority upon the responsibility of program participants to ensure that their Analysis of Impediments (AI) serve as effective fair housing planning tools. The AI should continue to be updated in accordance with the HUD Fair Housing Planning Guide.

Pennsylvania completed its Analysis of Fair Housing Choice in 2015 and through engagement with the HUD Office of Fair Housing and Equal Opportunity, completed the final edits and submission in June 2018. Through the analysis, Pennsylvania identified barriers to affordable housing. The Commonwealth included in its 2019 CAPER its role in affirmatively furthering fair housing and identifying impediments to fair housing:

DCED works very closely with its grantees to address barriers to fair housing and promotes efforts for Fair Housing Choice and Affordable Housing throughout the state. One of the recommendations from the 2015 Analysis of Impediments is to Strengthen Local Zoning Ordinances, which includes providing technical assistance to local government officials, planning and zoning officials, and the public about Fair Housing regulations and how these need

to be incorporated into the local municipal ordinances and codes. To meet this recommendation, the DCED awarded a contract through its Governor's Center for Local Government to provide training on the Fair Housing Act and Zoning. The GCDG has a municipal officials' training course that includes 12 training segments and training manuals, of which one deals with zoning and affordable housing. During 2019, the Pennsylvania Municipal League continued to work on the update of the zoning officials' manual to be more inclusive of the Fair Housing and other barriers to affordable housing.

We commend you for these efforts. Please note that the Office of Fair Housing and Equal Opportunity is available to provide technical assistance regarding affirmatively furthering fair housing upon your request. Should you have any questions, we encourage you to reach out to Melody Taylor, FHEO Regional Director, at (215) 861-7643, or by email at Melody.C.Taylor@hud.gov.

Community Development Block Grant Disaster Recovery Program

Many areas of the Commonwealth were devastated by natural disasters in 2011. On September 3, 2011, the Federal Emergency Management Agency (FEMA) issued a declaration of major disaster (FEMA-4025-DR-PA) for Hurricane Irene. On September 12, 2011, the Federal Emergency Management Agency (FEMA) issued a declaration of major disaster (FEMA-4030-DR-PA) for Tropical Storm Lee. These two declarations cover 30 of 67 counties in the Commonwealth of Pennsylvania. These areas were impacted by major flooding and rain damage. A total of 28 counties have been approved for individual assistance.

The Philadelphia Regional Office has worked closely with the Commonwealth to assist with implementing plans to expend the \$27,142,501 Community Development Block Grant Disaster Recovery (CDBG-DR) funds that were awarded by the Department under the 2012 appropriation (B-12-DT-42-0001). As of May 19, 2020, the Commonwealth had a remaining balance of \$11,417,969 from its 2012 grant.

An additional \$29,986,000 in CDBG-DR funds was awarded to the Commonwealth in an FY 2013 appropriation (Hurricane Sandy). DCED has a remaining balance of \$10,298,441 as of May 19, 2020. All funds under the 2013 grant were obligated by September 30, 2017 and extension has been granted for expenditure of the funding for PL113 (B-13-DS-42-0001) to September 30, 2022 as permitted by the alternative requirement published in FR-5696-N-14 (May 11, 2015). While progress is being made in the expenditure of funds, the Commonwealth has noted that there were activities that were over budgeted and is actively planning to reprogram some of those funds. The Philadelphia Regional Office has been updated on the Commonwealth's efforts in identifying new projects and preparing for another substantial amendment. The Commonwealth is reminded of the new deadline for CDBG-DR expenditure and will continue to provide technical assistance as necessary.

The Department asks that you review our assessment of your performance and provide any comments that you may have within 35 days of the date of this letter. Upon receipt, we will evaluate your comments and make any revisions that are deemed appropriate. If you have no comments relative to the analysis contained in this letter, we request that you formally notify us of that fact within the 35-day timeframe. If no comments are received within the designated timeframe, our initial letter will serve as our final assessment of the Commonwealth's performance for the past program year. To facilitate and expedite citizen access to our performance review, we request that you appraise the general public, interested citizens' organizations and non-profit entities, of its availability. If for any reason, the Commonwealth chooses not do so, please be advised that our office is obligated to make the letter available to the public. Your cooperation in this matter would be appreciated.

We look forward to continuing to work with you and members of your staff to accomplish Departmental goals and mutual objectives to develop viable urban communities. We would also be pleased to provide you with any information on resources that may be available to your community. If you need assistance, or if you have any questions concerning the content of this letter, please contact Ms. Xiaomin Cai, Senior Community Planning and Development Representative, at (215) 861-7655. This office may be reached via text telephone (TTY), by dialing (800) 877-8339.

Sincerely,

NADAB BYNUM
Digitally signed by: NADAB BYNUM
DN: cn = NADAB BYNUM, c = US, o = U.S. Government,
ou = Department of Housing and Urban Development,
Office of Administration
Date: 2020.06.18 06:57:12 -0400

Nadab O. Bynum
Director
Office of Community Planning
and Development

cc:

Ms. Kathy Possinger, Director of Monitoring and Compliance, DCED
Ms. Mari Jane Salem-Noll, Director of HIV/AIDS Division, PA DOH
Ms. Joanne Valentino, Division of HIV/AIDS PA DOH