June 15, 2021

Via e-mail: ddavin@pa.gov
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 Secretary Davin:

RE: Annual Community Assessment
Commonwealth of Pennsylvania
January 1, 2020 to December 31, 2020

We want to thank you and your staff for all you are doing to serve the CPD program needs of your communities during these unprecedented times. 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 U.S. Department of Housing and Urban Development 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.

The Consolidated Plan regulations at 24 CFR 91.525 require the Department to evaluate and report to the public on a community’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 2020 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), and the Disaster Recovery Grants Reporting System (DRGR) for the Community Development Block Grant Disaster Recovery (CDBG-DR) grants, and the 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.

The Commonwealth has received an allocation of $24,691,407 of CDBG and $39,851,562 of ESG CARES Act funds for use preparing for, preventing, and responding to COVID-19. During FY 2020, the Commonwealth has expended $1,707,606.99 of CDBG and $1,626,183.54 of ESG CARES Act funds. The funds were spent on the following activities: public services provision, economic development, shelter, homeless prevention, rapid rehousing, homeless prevention, and HMIS. We appreciate all that the Commonwealth as done to serve the needs of its community during these difficult times and to adapt to the many operational challenges that COVID-19 has presented.

Community Development Block Grant Program

The Commonwealth has received an allocation of $42,031,593 and expended $32,453,614 CDBG funds in FY 2020.

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. However, due to the Covid 19 pandemic, the Commonwealth was not timely in obligating its FY 2019 funds by November 12, 2020. Its obligation deadline for its FY 2020 CDBG funds will be 10/24/2021 (15 months from 7/24/2020).

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 2020 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 2020, Pennsylvania’s on-site monitoring has been stalled by the Covid 19 pandemic. However, the Commonwealth conducted a total of 123 CDBG contracts reviews and 2,563 CDBG invoice reviews.

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 2020. Additionally, Pennsylvania notified this Office its intent to use the HOME
program Covid 19 Waiver dated April 10, 2020 for the HOME program, reducing the CHDO set-aside requirements to zero percent for fiscal years 2017, 2018, 2019 and 2020 allocations of the State.

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. The COVID-19 pandemic has negatively impacted DCED’s ability to conduct on-site reviews from March 12, 2020 through December 31, 2020. To monitor compliance, every invoice must first be approved by DCED through its Financial Management Center (FMC). Failure to follow the Financial Management Directive triggers a violation notice which requires a corrective action process. During FY 2020, 19 HOME contracts and 496 HOME program invoices were reviewed.

**Emergency Solutions Grants Program (ESG)**

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 2018 as of October 17, 2020 deadline. On January 28, 2021, our Office approved DCED’s workout plan to allocate and expend the balance of 2018 funds $13,700.56 by July 31, 2021. As of the date of this letter, Pennsylvania’s FY 2017 and prior years’ ESG funds have been expended. We applaud the State’s efforts in complying with the expenditure requirements. The Commonwealth also reported conducting 273 ESG invoice reviews during FY 2020.

**Housing Opportunities for Persons with AIDS Program (HOPWA)**

The Department of Health, Division of HIV/AIDS, received $3,078,584 in Housing Opportunities for Persons with AIDS (HOPWA) formula funds for FY 2020. This funding included allocations to seven regions that are being administered by the Commonwealth. A total of $3,136,966 HOPWA funds were expended during FY 2020. The HOPWA Program provided decent affordable housing that benefited 602 households for persons living with HIV/AIDS through tenant-based rental assistance, short term rent/mortgage/utility assistance, and permanent housing placement. Additionally, clients 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.

All ARC projects have been completed and closed out except for one: PA1903921417 with a balance of $4,101.95 (as of April 28, 2021). The Philadelphia Office along with HUD Headquarters continue to work closely with the Commonwealth in ARC project completion and closeout documentation.

**Neighborhood Stabilization Program (NSP)**

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 has received the annual affordability reports for 2020 and continues to monitor and ensure the affordability requirements are met for the duration of the term of affordability for all properties identified under this grant. There are currently two active NSP projects: City of Pittsburgh (C000070356) - $2,000,000 - Contract Period 12/11/18 to 12/10/2021; and Washington County (C000070355) - $283,500 - Contract Period 12/11/18 to 12/10/2021. DCED continues to work towards completing these projects with the remaining 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. Grant funds have been expended and this grant has been closed out in FY 2019. DCED has received the annual affordability reports for 2020 and continues to monitor and ensure the affordability requirements are met for the duration of the term of affordability for all properties identified under this grant.
Fair Housing and Equal Opportunity

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 2020 CAPER the following efforts in affirmatively furthering fair housing and identifying impediments to fair housing: developing an updated training and planning resource for municipalities to incorporate fair housing regulation and requirements in the development of fair and affordable housing; providing targeted 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; working with colleagues at the PA Municipal League and Governor’s Center for Local Government Services; and the planning guide was finalized at the end of 2020 and a plan to provide training for municipal officials is underway. As a result of the pandemic, remote trainings are being considered. We commend you on these efforts.

Program Participants are reminded that the legal obligation to affirmatively further fair housing remains in effect under the Fair Housing Act, Title VI of the Civil Rights Act, Section 109 of the Housing and Community Development Act, and other civil rights related authorities. Please be aware that a jurisdiction could be subject to a compliance review to determine whether, as a recipient of HUD funds, it is in compliance with applicable civil rights laws and their implementing regulations if its certification to affirmatively further fair housing is in question. The Office of Fair Housing and Equal Opportunity (FHEO) initiates most compliance reviews based on risk analyses, issues raised during a limited monitoring review, or when a civil rights problem is detected through HUD program monitoring. FHEO 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 (CDBG-DR)

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 1, 2021, the Commonwealth had a remaining balance of $10,422,679.93 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 4,234,265.31 as of May 1, 2021. 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). This grant was granted a further extension of expenditure deadline till September 30, 2023 by the Consolidated Appropriations Act, 2021.

During this unprecedented calendar year, several large projects were completed under the Disaster Recovery program:

- The development of a 64-unit rental development was completed in the Town of Bloomsburg to increase the number of affordable units in the area. Columbia County and Bloomsburg were hit hard by the 2011 storms that caused devastating areas of flooding and substantial damage to thousands of housing units. The Silk Mills development consists of 33 affordable units and 31 market rate units. The development is at 95% capacity, 91% capacity for the affordable units. Private funding in the amount of $6 million dollars was leveraged against the $5 million investment of CDBG-DR funds.

- The Town of Bloomsburg completed a $10 million Flood Hazard Mitigation project in the Town of Bloomsburg. This project consisted of the design and construction of approximately 4,700-foot levee system, multiple closure structures, two storm water pump stations and a sanitary pumping station, with the relocation of approximately 2,600 feet of storm water overflow diversion line. This mitigation project protects between 105 to 150 homes, various employers at the community’s main shopping plaza, the town’s only fire department, and the area middle and high schools.

- The Borough of West Pittston was devastated by the flooding, which destroyed the entrance to the borough and their central business district. CDBG-DR funds were used to reconstruct roadways, improve the existing stormwater system, the replacement of curbing and sidewalks, and the planting of trees and street lawn. Overall, the CDBG-DR funds were used in conjunction with funds from Luzerne County’s CDBG-DR Program and the Local Share account. The total amount of additional assistance received was $500,000 leveraging this project.

- Pine Grove Borough in Schuylkill County also experienced unprecedented flooding that impacted one of the County’s largest employers and many of the housing units in the Borough. The County assisted the Borough in developing a mitigation project that established 12+ acres of wetlands and stream bank restoration to mitigate flooding in the Borough. This project involved multiple partnerships with private and public entities, as well as multiple state agencies to protect the Borough and many of its employers. In December 2020, the area sustained prolonged rains, however, the mitigation project worked as planned and there was no damage from the event. Other state funding from
the Pennsylvania Department of Environmental Protection in the amount of $1 million leveraged the $2.5 million investment of CDBG-DR funds.

DCED also solicited proposals from impacted counties to determine unmet need and identify priority mitigation and housing projects that remain. This process will allow the Department to develop a substantial amendment to the 2 disaster recovery allocations to commit the remaining funds to projects that will minimize damages to properties and businesses and save lives. The Commonwealth is reminded of the new deadline for CDBG-DR expenditure and will continue to provide technical assistance as necessary for the next round of substantial amendment.

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 xiaomin.cai@hud.gov. This office may be reached via text telephone (TTY), by dialing (800) 877-8339.

Sincerely,

NADAB BYNUM

Nadab O. Bynum
Director
Office of Community Planning and Development

cc: Ms. Angela Susten, Director of Monitoring and Compliance, DCED
Mari Jane Salem-Noll, Director of HIV/AIDS Division, PA DOH
Ms. Joanne Valentino, Division of HIV/AIDS PA DOH