



**U. S. Department of Housing and Urban Development
Field Office Director
Knoxville**

November 29, 2010



Honorable Bill Haslam
Mayor, City of Knoxville
P.O. Box 1631
Knoxville, TN 37901

Dear Mayor Haslam:

**SUBJECT: Consolidated End-of-Year Review - Program Year 2009
City of Knoxville, Tennessee**

Annually, the U.S. Department of Housing and Urban Development (HUD) is required to conduct a review of performance by grant recipients. The review consists of: analyzing the City's consolidated planning process; reviewing management of funds; determining the progress made in carrying out HUD policies and programs; determining the compliance of funded activities with statutory and regulatory requirements; and determining the accuracy of required performance reports; as well as evaluating accomplishments in meeting key Departmental strategic goals and objectives. Concurrently, the Secretary of HUD must determine 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.

In addition to meeting the mandates of the statutes, this assessment provides a basis for the City of Knoxville and HUD to work together collaboratively in achieving housing and community development goals. The Office of Community Planning and Development (CPD), in consultation with the Offices of Public Housing, Multifamily, Single Family, Chief Counsel, Fair Housing and Equal Opportunity and this Office, completed the assessment.

We congratulate the City of Knoxville, including the Community Development Department, on the accomplishments toward implementing programs and policies, which carried out the strategies, as outlined in the 2005 Consolidated Plan. This is the fifth year of reporting under the 2005 - 2010 Consolidated Plan, covering the period of July 1, 2009, through June 30, 2010. During this last year, the City of Knoxville used Consolidated Planning funds, as well as leveraged additional State, local, private, and other federal funding to implement many worthwhile programs and projects and expended funds in a timely manner. Sixty days prior to the end of the City's 2009 Program Year, a total of 1.49 in program years of Community Development Block Grant (CDBG) funds remained in the grantee's line of credit which met the timely use of funds test as required by 24 CFR 570.902. In addition, the City continues to commit and expend HOME Investment Partnerships Program funds in a timely manner.

HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination.

It was observed that the City utilized the Department's Consolidated Plan Management Process (CPMP) Tool. We commend the City on its use of the Tool. This will greatly simplify the completion of the Consolidated Annual Performance and Evaluation Report (CAPER) and should make that task of completing the 2011 Consolidated Action Plan easier.

We also commend the staff of its efforts to implement activities under the American Recovery and Reinvestment Act. The City is also recognized on meeting the Neighborhood Stabilization Program 1 (NSP1) obligation deadline and the CDBG Recovery activities are underway. During the 2009-2010 Program Year, the City is recognized for a number of noteworthy accomplishments, including the following:

1. **Low- and Moderate-Income (LMI) Benefit.** The CAPER indicated that 90.72 percent of the CDBG funds expended during the reporting period benefited LMI persons either through direct benefit activities or activities benefiting LMI areas.
2. **Housing Rehabilitation and Minor Home Repair Programs.** The City continues to make significant progress in providing affordable housing. This has included an array of activities: new housing construction and housing rehabilitation/replacement; owner-occupied housing and multifamily rental housing; minor and emergency repairs; and housing counseling. During the reporting period, the City completed the rehabilitation or replacement of 15 owner-occupied housing units and 24 rental units. Eleven of the 15 units were in the Empowerment Zone. The Homemakers Program provided eight new housing units and one rehabilitated unit. A total of 225 minor and emergency home repairs were completed.
3. **Affordable Housing Initiatives.** Community Housing Development Organizations, assisted with the City's HOME funding, constructed two homes for first-time homebuyers. Also, down payment assistance was provided to 48 first-time homebuyers.
4. **Sustainability of Suitable Living Environments and Economic Opportunity.** During the program year, the East Tennessee Community Design Center provided technical assistance to 24 non-profit organizations that included organizational planning, architectural services, accessibility planning, and facility renovation planning. To eliminate and redevelop blighted properties, the City acquired 10 properties, seven with CDBG funds and three with City funds. The City's Commercial Façade Program completed 15 projects using CDBG funding, four projects using EZ funds, and three projects are underway using CDBG-R funds.
5. **Assistance to the Homeless.** As a key partner in the completion of the Ten Year Plan to End Chronic Homelessness, the City continues to be active as the implementation phase is underway and activities assist the homeless. The Knoxville Homeless Management Information System has expanded during the program year with 12 agencies using the system. For 2009, the East Tennessee Continuum received \$1,305,954 in HUD's Continuum of Care competition. A total of 153 homeless persons were placed into permanent housing. Housing and supportive services were provided to 9,262 homeless persons. Emergency Shelter Grants (ESG) funds were utilized by five

subrecipients to assist individuals and families with emergency shelter and essential services. The organizations that received assistance were Knoxville –Knox County’s Community Action Committee (CAC), Volunteer Ministries Center, YWCA, Child and Family Tennessee, and Knoxville Area Rescue Ministries.

6. Homeless Prevention and Rapid Re-Housing (HPRP) – The City of Knoxville received \$771,803 to be expended in a collaborative effort between the City and CAC to provide services to immediately address the needs of individuals and families that are impacted by the current economic climate. Services include but are not limited to short-term and medium-term rental assistance, security deposits, utility deposits, case management, legal services, and credit repair.

7. Analysis of Impediments (AI) to Fair Housing. It was noted that a new (AI) is in the final stages of development to coincide with the 2010 - 2015 Consolidated Plan. Once the final AI has been completed, the City will submit it to HUD for review.

As an update on the Streamline format for the development of the Three to Five Year Consolidated Plan, CPD headquarters is still working cooperatively with other HUD program offices to develop a Plan that is useful across program lines and provides a framework for a more comprehensive approach to addressing your housing and community development needs. Once approved, the requirements will be issued to grantees. So please at this time, operate as usual as you develop the next Consolidated Plan/Annual Action Plan.

As you implement activities during the 2010 Program Year and begin preparations for the 2011 Program Year, the Department asks for your continued partnership as we undertake our strategic goals:

- Strengthen the Nation’s Housing Market to Bolster the Economy and Protect Consumers;
- Meet the Need for Quality Affordable Rental Homes;
- Utilize Housing as a Platform for Improving Quality of Life;
- Build Inclusive and Sustainable Communities Free from Discrimination; and
- Transform the Way HUD Does Business.

The Department will continue its efforts and encourage our grantees to implement activities which promote energy efficiency, reduce energy costs for our beneficiaries, and expand efforts to bring green building practices to HUD-financed or HUD-assisted new construction and rehabilitation projects. Major emphasis will be geared to building sustainable communities and partnering with other Federal departments in these efforts.

The Department will be on the fore front in implementing place-based management strategies. According to the Office of Management and Budget (OMB), place-based management “targets prosperity, equity, sustainability and livability of places” and examines how a place functions as well as adapts to variable market conditions. Utilization of this method will be rooted in the following principles:

- Guiding investments and regulation toward measurable goals;
- Effecting change from the community level; and
- Participating in regional approaches to sustainable development and program delivery.

Other information and areas to consider during the 2010 Program Year and as you prepare for the next Consolidated Plan/Annual Action Plan submission include the following:

1. At the end of each Federal fiscal year, HUD reports information on the accomplishments achieved using CDBG and HOME funds in its Annual Performance Report. This report uses the accomplishments reported by grantees in Integrated Disbursement and Information System (IDIS) to measure the success of the HOME and CDBG Programs in achieving its goals. This information is analyzed by the OMB and Congress and is an important consideration in future funding of the programs. Therefore, it is critical that you report all accomplishments for each of your activities for which you have accomplishments to report. While some activities will not have accomplishments for the current fiscal year, most will.

The www.hud.gov/offices/cpd/affordablehousing/reports/open/index.cfm, on HUD's website each month, is available to assist participating jurisdictions (PJs) in identifying projects that may need to be cancelled or projects that remain in "open" status despite their having been completed. This report provides information on all HOME projects entered in IDIS that have not been completed. Its primary purpose is to enable PJs to regularly review and identify open projects that should be completed in IDIS or cancelled. A review of the August 31, 2010, HOME PJs Status of Open Activities Report revealed that the City had eight open activities, in final draw status past the 120 day deadline. This report can be found online at www.hud.gov/offices/cpd/affordablehousing/reports/open/index.cfm. Information on revising activity status begins on page 4-32 of the chapter. CPD and the Office of Affordable Housing Programs will continue tracking the County's progress in this area. Please note that failing to enter this information into IDIS has a negative impact on the County's scores, and, subsequently, its National and State Ranking with other PJs. Also, CPD offers technical assistance to help PJs improve their scores. As always, the Department continues to need accurate reporting on all Consolidated Planning programs.

2. CPD's Technical Assistance Program (TAP) is available to assist grantees and their Partners as they encounter problems and need assistance under the HOME and Homeless Programs. In addition, during the 2010 Program Year, CPD will offer a more comprehensive approach to assisting its grantees through One CPD TA Program. This program will assist grantees in addressing problems that cross programmatic lines and require a more comprehensive approach. More information regarding One CPD TA will be forwarded to grantees at a later date. For any training or TA on CPD administered programs, please contact that Office at (865) 545-4391.

3. Executive Orders 11432 and 11625 require all Federal agencies to promote Minority Business Enterprises (MBE), including women owned businesses, participation in their programs. The City is encouraged to expand its efforts in these areas and submit the MBE report

(HUD Form -2516) on the Consolidated Plan Program funds. The next MBE report, "Contract and Subcontract Activity," will cover the period of October 1, 2010 - September 30, 2011. The completed form has a submission date within 10 days of September 30th each year. The next report is required to be submitted by October 10, 2011.

4. Section 3 - Equal Opportunity is a major priority of HUD. The Department encourages compliance to Section 3 of the HUD Act of 1968, and implementing regulations at 24 CFR Part 135. Section 3 provides to the greatest extent feasible opportunities of employment and training be given to lower income residents of the project area and contracts be awarded to businesses located in or owned substantially by residents of the project area. It helps low-income residents gain the skills and jobs needed to become self-sufficient. The program also provides opportunities for qualified, low-income business owners to receive preference in bidding on HUD-funded contracts. Grantees are required each year to submit a Section 3 Report, which is due for entitlement grantees at the same time they submit their CAPERs. The report should be submitted to the General Opportunity Division Office in HUD Headquarters or may be submitted online at the following website: <http://www5.hud.gov:63001/apps/po/e/srs/Public/form.cfm>.

5. We would like to take this opportunity to remind all grantees of the conflict of interest regulations regarding all of the Consolidated Planning programs: CDBG at 24 CFR Part 570.611; HOME at 24 CFR Part 92.356, ESG 24 CFR Part 576.57(d) and 4 CFR 570.611(d) & (e), and Housing Opportunities for Persons With AIDS at 24 CFR Part 574.625. Each Program provides information on what may be considered a conflict and who may be covered. In addition, each provides a process by which a grantee can contact CPD to request an exception to the conflict of interest regulations. Failure to comply with the conflict of interest provisions will result in funding connected to the conflict being questioned and disallowed. We encourage all of our grantees to implement conflict of interest procedures that will assist all employees, elected officials and sub-grantees in being in compliance and will assist the grantee with early detection of possible conflict of interest matters. CPD and the Chief Counsel are always available to provide guidance on possible conflict of interest compliance matters.

6. The Office of Fair Housing and Equal Opportunity (FHEO) reviewed the City's CAPER. FHEO reviewed the accomplishments and efforts under the Consolidated Planning Program, actions regarding Citizens Participation, and activities to Affirmatively Further Fair Housing. FHEO concurs with the approval of the CAPER.

As a result of our review of the CAPER and applicable information on progress and compliance, HUD has found the City's overall progress acceptable and that the City has the continuing capacity to implement and carryout these Consolidated Planning programs. You are invited to submit to this Office, within 30 days, your written comments about the content of or conclusions expressed in this letter. Please make this letter available to the public within 30 days of its receipt or the submission of your comments to HUD.

We also encourage the sharing of this assessment report with: the media, those on your mailing list of interested persons, members of your advisory committee, and/or those who attended hearings or meetings. HUD will make this information available to the public upon request and may provide copies of this report to interested citizens and groups. If you have any questions, please call Mary C. Wilson, Director, Office of Community Planning and Development at (865) 545-4391 or me at (865) 474-8205.

Very sincerely yours,



Mark Brezina
Field Office Director

cc
Madeline Rogero, Director,
Community Development Department