November 19, 2012

Becky Wade, Director
City of Knoxville, Community Development Division
P.O. Box 1631
Knoxville, TN 37901

Dear Ms. Wade:

SUBJECT: Consolidated End-of-Year Report, Program Year 2011
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. This annual assessment covers the 2011 Program Year, for the period of July 1, 2011 to June 30, 2012.

In addition to meeting the mandates of the statutes, this assessment provides a basis for the City 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 Housing, Single Family Housing, Chief Counsel, Fair Housing and Equal Opportunity and the Field Office Director completed the assessment.

We congratulate the City and the staff of Community Development Division on the accomplishments toward implementing programs and policies, which carried out the strategies, as outlined in the 2011 Consolidated Annual Action Plan (July 1, 2011 to June 30, 2012). This is the second year of reporting under the 2010 five-year Plan.

During the 2011 Program Year, the City implemented many worthwhile activities and programs and expended funds in a timely manner. Based on the risk analysis review conducted by CPD, the City’s HOME Investment Partnerships (HOME) Program was monitored during the Program Year and I am pleased to say that there were no findings and concerns. Sixty days prior to the end of the 2011 Program Year, a total of 1.46 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. We also commend the City in complying with the expenditure and commitment deadline requirements for the HOME Program and Emergency Solutions Grants (formerly Emergency Shelter Grants) Program.

The City is also commended on its successful efforts in expending CDBG-Recovery Program and Homeless Prevention and Rapid Rehousing Program funds for eligible activities under the American Recovery and Reinvestment Act (ARRA).

This Office also acknowledges the participation of your staff in the training sessions conducted on June 25 and 26, 2012. Training sessions were conducted via conference calls on: New Requirements under the HOME Program, the Requirements under the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, the New Consolidated Plan Submission system/process, and Detecting Fraud. The training was well received.

In the review of the Consolidated Annual Performance and Evaluation Report (CAPER), the information entered in Integrated Disbursement and Information System (IDIS), HUD Program Offices comments, and CPD staff discussions/knowledge of the jurisdiction’s activities during the 2011 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 75.87 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 Affordable Housing Opportunities.** Significant progress was made during the program year in providing safe, decent, and affordable housing. A total of 20 owner-occupied housing units was rehabilitated through the Owner Occupied Housing Rehabilitation Program and 54 units of affordable rental housing were completed. Down-payment assistance was provided to six first-time homebuyers and five new homes were constructed. Emergency and minor repairs were completed on 96 homes.

3. **Sustainability of Decent Housing and Suitable Living Environment Activities.** During the program year, East Tennessee Community Design Center provided technical assistance to 14 new organizations, including six neighborhood organizations with services that included organizational planning and accessibility planning. Nine new façade projects were completed with the renovation of their dilapidated exteriors to local codes. Twenty owner-occupied homes were assisted under the My Front Yard project with exterior improvements.

4. **Assistance to the Homeless.** During the program year, Emergency Solutions Grants funds (formerly Emergency Shelter Grants) supported the work of five agencies: $25,000 for Volunteer Ministry Center’s Day Resource Center; $15,300 for the Young Women’s Christian Association’s (YWCA) transitional shelter; $15,831 for
the Knoxville-Knox County Community Action Committee’s (CAC) Homeward Bound Program; $11,903 to support the operations of Child and Family Tennessee’s Family Crisis Center; and, $10,000 to support improvements to Catholic Charities Samaritan Place. In addition, CDBG funds assisted with the funding of the Homeless Management Information System, which is administered by the University of Tennessee. The system served 2,389 homeless persons through 13 homeless service providers. Also, the local Continuum of Care was successful in receiving $1,615,680 for 10 renewal grants through HUD’s 2011 homeless competition.

5. Fair Housing Initiatives. The Office of Fair Housing and Equal Opportunity (FHEO) found the CAPER acceptable but noted that the City failed to list its affirmative outreach efforts to members of protective classes which results in a High Risk. FHEO recommends that such efforts and actions be listed in the next CAPER under Citizen Participation.

As you know, CPD has completed the enhancements to the Consolidated Plan, called the “eCon Planning Suite.” Although the enhancements are operational, your jurisdiction will not be required to use this system until the submission of its next Five Year Consolidated Plan. Nevertheless, the benefits of using it for the 2013 Consolidated Annual Action Plan now are numerous, as it includes linking the Consolidated Plan to IDIS and providing a less intensive process for preparing the next CAPER. The OneCPD Technical Assistance Program is operational and if your jurisdiction has a need for technical assistance in implementing any local housing and community development activity, please contact Knoxville CPD at (865) 545-4391.

Again, the Department asks for your collaboration and partnership in several of our priorities and strategic goals, including: addressing the needs of returning veterans and their families and in addressing housing and providing supportive services for the homeless, especially homeless families/children, as governed by the HEARTH Act. Our partners are essential as these priorities remain major objectives of the Department and HUD’s staff is available as you plan and implement these programs and activities.

HUD will also continue to work with our grantees in implementing 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 continue on building sustainable communities and partnering with other Federal departments in these efforts. The Department will be on the forefront 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. During the 2012 Program Year and as you plan for the 2013 Program Year, please pay close attention to the following:

1. Frequent and Up-to-date Reporting In IDIS. 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 IDIS to measure the success of the Consolidated Planning Programs, especially HOME and CDBG, in achieving goals. This information is analyzed by the Office of Management and Budget (OMB) and Congress and is an important consideration in future funding of the program. Therefore, it is critical that your jurisdiction reports all accomplishments for each of its activities in a timely manner. While some activities will not have accomplishments for the current fiscal year, most will. In addition, where feasible, make sure to include entries relative to lead based paint and energy “green” accomplishments. This will enable CPD to capture data needed in those areas.

2. **IDIS Cleanup of Reporting.** At the same time, please pay close attention to making sure that data entered into IDIS complies with the regulations and have accomplishments which can be documented in your applicable formula and ARRA files. Currently, much focus in on cleaning up CDBG data to make sure the correct data is reflected in IDIS.

3. **The HOME Participating Jurisdictions (PJs) Open Activities Report.** The report is on HUD’s website each month. It is available to assist 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, 2011, HOME PJs Status of Open Activities Report revealed that your jurisdiction had two open activities in final draw status past the 120 day deadline. This report can be found online at [http://www.hud.gov/offices/cpd/affordablehousing/reports/open](http://www.hud.gov/offices/cpd/affordablehousing/reports/open). Information on revising activity status begins on page 4-32 of the chapter.

4. **Timely Completion of Activities.** Please make every effort to complete and expedite progress with any stalled activity in IDIS. It is imperative that all activities are completed and closed out in a timely manner. This includes drawing down funds and updating the status of activities in an ongoing manner. As you know, this Department is always available to offer technical assistance and guidance.

5. **HOME Program Changes.** Among the most significant changes are the following:

   - Projects not completed within four years from the date of project commitment would be considered terminated and the jurisdiction must repay HOME funds invested in the project;
   - Repayment of HOME funds would be required for any unit that is not rented to eligible tenants within 18 months of project completion;
   - Homebuyer units that are not sold within six months of completion of rehabilitation or construction would be required to be converted to rental projects;
• Makes several changes to the requirements of CHDOs and funding awarded to CHDOs. For example, general CHDO reservations would be eliminated and PJs would be required to commit CHDO set-aside funds to specific CHDO projects within 24 months. In addition, HUD would deobligate CHDO set-aside funds not expended within five years of obligation to the PJ;

• PJs would be required to assess a developer’s capacity and financial condition, in addition to market need for the project and its long-term viability before committing HOME funds;

• PJs would be required to examine annually the financial condition of rental projects with at least ten HOME-assisted units;

• New property standard requirements and inspection requirements would be established;

• Mandatory program design considerations for homebuyer programs would be established; and,

• PJs would be required to develop and adopt written policies and procedures to improve program oversight, conduct risk-assessments, and more closely monitor sub-recipients.

6. **Minority Business Enterprise (MBE) Reporting.** Executive Orders 11432 and 11625 require all Federal agencies to promote MBE, including women business enterprises, participation in their programs. Your jurisdiction 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, 2012 - September 30, 2013. 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, 2013.

7. **Section 3 Reporting.** 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.

8. **Conflict of Interest Requirements.** 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 at 24 CFR Part 576.57(d) and 24 CFR 570.611(d) & (e), and HOPWA at 24 CFR Part 574.625. The ARRA and HERA programs/activities are also governed by conflict of interest requirements. 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 subgrantees 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.

As a result of our review of the CAPER and applicable information on progress and compliance, HUD has determined that your jurisdiction has the continuing capacity to implement and carry out the Consolidated Planning programs and that for the 2011 Program Year the progress has been acceptable. 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 contact me at (865) 545-4391.

Very sincerely yours,

[Signature]
Mary C. Wilson, Director
Office of Community Planning
and Development

cc:
Honorable Madeline Rogero
Mayor, City of Knoxville