

**COUNTY OF HIDALGO
URBAN COUNTY
PROGRAM**



HOME MONITORING

1999

HOME MONITORING FOR 1999
HUD Letter dated 1/24/02

Finding # 1 - Income Determinations. Applications to be checked to ensure current income data is used at the time the HOME assistance becomes available. UCP must thoroughly review the application, determine eligibility, verify income, and sign off on approval/disapproval of the application. Internal monitoring to occur semi-annually. **CLEARED** as of 1/24/02

Finding #2 - Calculation of Income Eligibility. County has adopted the Section 8 (24 CFR Part 5) method of income determinations. The Internal Monitor will conduct follow-up review of determinations. **CLEARED** as of 1/24/02

Finding #3 - Property Inspections/Cost Estimates. The County has stated that all documents pertaining to the rehabilitation work will be placed in the project file. This is to include work write-ups, cost estimates, inspection reports, bid documents, etc. **CLEARED** as of 1/24/02

Concern #1 - Countywide Rehabilitation Activity. Commend County for taking positive action to expend the funds in the rural areas expeditiously. The following options offered by HUD.

1. All unused (unallocated) HOME funds could be reprogrammed to Rehab activities in the rural areas.
2. The County has a fund derived from the defunct Mission Service Project (CHDO) that could be used for this purpose.
3. The CDBG funds presently allocated to each of the precincts could be designated for rehab activities in the rural areas. HUD acknowledges that some of PRECINCT funds are directed toward street/drainage improvements in rural areas, but a large majority of funds are used to supplement public services in the participating cities - - these funds should be used in the rural areas, as they appear to have a bid demand, not only for housing/rehabilitation but also for public improvements.
4. HUD reiterates that the HUD funds are allocated to the County and the County should designate and spend the funds where they are most needed.

Finding #4 - Private/Public Partnerships. The County was to take proactive steps to advertise the funds available for housing for rental purposes on an area-wide basis. Please advise of the specific actions, if any, taken in this regard before allocating future HOME funds for rental housing activities. Remains **OPEN** as of 1/24/02.

County Response: The County has ceased providing funds for rental housing. Should such a program be offered in the future, the County will advertise the availability of funds through newspaper advertising and will solicit proposals from all qualified parties.
Finding #4
2/26/ 2002:

HUD Response: The County has provided assurance that it will advertise the availability of future funds and solicit proposals from qualified parties. We request that this same action be extended to the availability of HOME funds for CHDO's. This action **CLEARs** this finding.
Finding #4
4/18/02

FINDING #5 Affordability Period on Rental Projects. (Edcouch Apartments) There is a substantial amount of information requiring review. To be addressed by separate letter. (\$ 80,000) Remains **OPEN** as of 1/24/02.

HUD Separate Letter dated The property received \$ 80,000 for the acquisition and rehabilitation of 11 units for the purpose of providing rental assistance.
1/28/02

Affordability period: Five (5) years
Agreement signed: August 1999
Affordability period expiration: August 2004

Section 92.503(b) states that, "any HOME funds invested in housing that does not meet the affordability requirements for the period specified in Section 92.252 or Section 92, 254 . . . must be repaid by the participating jurisdiction . . ."

Letter further requests response from County within 30 days on action it will take and request for compliance with the repayment requirements if the County will take no action.

HUD Separate Letter dated For those units still in the affordability period, please advise if the County is current in adhering to all requirements regarding inspections, tenant information, rents, monitoring, etc.
2/11/05

For those projects where the affordability period has passed, advise if the affordability period was met and, if so, provide documentation to support your determination.

In response to our question regarding the applicability of the instruments used by the County for enforcement of affordability period, HUD's Legal Counsel advised that the documents do not satisfy the requirements cited at 92.252(e). The proper instruments would be deed restrictions or covenant conditions (declarations, covenants, deeds and restrictions **running with the land.**) The Promissory Notes indicate that we may be able to declare default and/or foreclosure under the deed of trust if the affordability requirements are not met. This may provide us with a method to recoup the funds that we must repay to HUD.

HUD requested response within 30 days of the date of this letter.

**HUD Separate
Letter dated
2/11/02**

HUD's letter requested further information as noted below:

Owner/ Amount/(Units)	Address	Contract Date	Affordability Period End	Status	Response
A. Hernandez \$ 8,363, (1)	1209 Frontage Alamo, TX	4/06/93	4/06/98	When was unit sold?	
A. Hernandez \$ 17,000, (1)	401 N. Hidalgo Elsa, TX	4/06/93	4/06/98	What is Current Status?	
A. Hernandez \$ 24,000, (3)	Mile 5 N Alton, TX	2/01/94	2/01/99	When were units sold?	
B. Hernandez \$ 8,500, (1)	Thelma St. San Juan, TX	5/31/94	5/31/99	Was affordability period met?	
A. Hernandez \$ 8,500, (1)	230 Silva San Juan, TX	1/17/95	1/17/00	Was affordability period met?	
A. Hernandez \$ 7,043, (23)	513 Broadway Elsa, TX	5/09/96	5/09/01	Was affordability period met by CDV?	
E. Gonzalez \$ 8,500, (1)	616 Lackland Edcouch, TX	4/26/97	4/26/02	What is current status?	
J. Hernandez \$ 57,500, (7)	Begonia/Magnolia Elsa, TX	9/08/98	9/08/03	What is current status	
A Hernandez \$ 7,500 (1)	315 Crockett Elsa, TX				Activity CANCELLED
A Hernandez \$ 8,500 (1)	107 Magnolia Elsa, TX				Activity CANCELLED

County Response No response at this time.
Finding #5
2/26/02.

HUD Response: We are awaiting County's response to HUD letter dated February 11, 2002
Finding #5 with respect to the affordability periods for all rental projects. Please
4/18/02 submit response as soon as possible. **This finding remains OPEN.**

**HUD RESPONSE:
FINDING #5
DECEMBER 2002**

Action Required: UCP must obtain verification from the Housing Authority(s) that the units(s) was indeed on their rent rolls during the remaining period of affordability. This information is required for the following addresses:

1209 Frontage, Alamo – Sold 11/05/96 – Affordability period through 4/06/98

401 N. Hidalgo, Elsa – Sold 5/26/97 – Affordability period through 4/06/98

Mile 5 N, Alton - Sold 8/97 - Affordability period through 2/1/99

Thelma St., San Juan – obtain verification that unit was rented under Section 8 through 5/31/99

230 Silva, San Juan – sold to low-income family; provide information as to how the low-income status of the family was obtained

513 Broadway, Elsa – this unit was sold in May 1997 to Colonias del Valle, who declared bankruptcy October 2000. Bankruptcy does not nullify the requirement of meeting affordability period; therefore, the HOME funds in the amount of \$7.043 WILL HAVE TO BE REPAID.

616 Lackland, Edcouch – provide assurance that you and/or the Edcouch Housing Authority are meeting the requirements of the rental program.

For the SEVEN (7) houses at BEGONIA/MAGNOLIA, Elsa – the Elsa, Edcouch, and Hidalgo County Housing Authorities are still renting these houses under the Section 8 Program. Provide assurance that rental requirements are current and on file. These should include inspections, tenant documentation, etc.

THIS FINDING REMAINS OPEN until the above matters are resolved. Unless proper justification is provided as requested above, the funds MAY HAVE TO BE REPAID.

Finding #6(a) - Acquisition of Property. (Colonias del Valle/Cotton Gin Apartments) HUD requests payment to Treasury of \$ 100,000 from non-federal funds. Funds must be transferred to Treasury to be deposited in County's HOME account. HUD requests confirmation of this transaction. Remains **OPEN** as of 1/24/02.

County Response
Finding #6(a)
2/26/02: County response is that UCP Staff shouldn't be penalized since County took proactive steps to rectify the situation. Penalty would be assessed against officials and staff not involved with the alleged wrong-doing in any way and are working to get the UCP back on track. The County requested a one-year extension to allow for the Office of the Inspector General to complete its investigation. A criminal prosecution might trigger the Public Official Bonding, in force at the time, bringing additional resources to bear on the problem. **Remains OPEN as of 2/26/02.**

HUD Response
Finding #6(a)
4/18/04: The County must reimburse the HOME account \$ 100,000 for a violation of the affordability period by Colonias del Valle, Inc. on the Cotton Gin Apartments. The reimbursement of these funds, along with other funds owed will be addressed once we receive a response to Finding #5 and that we make a final determination to your response dated 4/02/02, regarding the violation of the affordability period on the Edcouch Apartments, which would result in the County reimbursing the HOME account an additional \$80,000. **This finding remains OPEN. \$100,000 needs to be repaid**

HUD RESPONSE:

FINDING #6 (a)
DECEMBER 2002

Acquisition of Property & Affordability Period: In 1997, Colonias del Valle, a CHDO, received \$ 100,000 in HOME funds to acquire and rehabilitate 23 units known as the Cotton Gin Apts. The County failed to inspect and obtain proper documentation on the units and the City of Elsa proceeded to condemn the property in 2000. Although Colonias del Valle filed for bankruptcy, it failed to meet the affordability period in accordance with the HOME regulations cited at 92.252(e). The County is now responsible for repayment of funds, which must be wire transferred to be credited to the HOME Program. **THIS FINDING REMAINS OPEN.**

Finding #6(b) - Acquisition of Property. (South Texas Economic Development Corporation- STEDC) Used \$ 105,000 in funds for the acquisition of property and \$ 15,000 for the rehabilitation. Letter states that no appraisal was found but property was listed at \$55,000 on tax rolls. ($\$ 105,000 - 55,000 = \$60,000$ to be repaid) unless an appraisal is located. Must also submit proof of rehab for \$15,000. UCP is to also perform all inspections and re-certifications. HUD requests a copy of the settlement statement to determine the applicable closing costs. The County reported that all eight (8) units are currently rented with Section 8 tenants and the name of the property has changed to Casa Linda Homes. Remains **OPEN** as of 1/24/02.

County Response
Finding #6(b)
2/26/02: County response is that appraisal is in excess of funds provided for project and submitted it as evidence. The rehab invoices and canceled checks are in excess of \$ 15,000 in rehab. The UCP staff will conduct all inspections and re-certifications of the units in order to eliminate the appearance of a conflict of interest since this project is owned by a subsidiary of the Hidalgo County Housing Authority (HCHA).

HUD Response
Finding #6(b)
4/18/02: In its response of February 26, 2002, an appraisal report was submitted. The Appraisal Analysis and resulting Summary Appraisal was performed by Mr. Richard Garza, a Texas certified appraiser, as requested by Mr. Mike Lopez (STEDC). At our request, the appraisal report was reviewed by a HUD appraiser, Mr. Thomas L. Goade, MAI, SRA, and his review indicates that the appraisal report cannot be relied upon as providing an accurate opinion of market value for the referenced property. **Based on Mr. Goade's recommendation, we are not accepting the appraisal.** He communicated with Mr. Garza during his review, and you, Mr. Garza or Mr. Lopez are welcome to contact him if you have any questions. A copy of his review is enclosed. Additionally, the records submitted did not substantiate the \$ 15,000 for repairs to the units. However, after securing

copies of the supporting documentation from the Office of the Inspector General, HUD accepted them. The County will **HAVE TO REIMBURSE \$55,000** (\$120,000 – 50,000 (appraised value in 1998) - \$15,000 (eligible rehab). This finding remains **OPEN** and the amount owed will be added to the other funds owed, as noted in Finding #6(a) above.

**HUD Response:
Finding #6 (b)
December 2002**

South Texas Economic Development Corporation (STEDC), a CHDO was awarded \$120,000 for the acquisition and rehabilitation of eight (8) units now known as Casa Linda Homes (908 N. Broadway in Elsa, Texas). An appraisal was not obtained prior to the acquisition. The CHDO was allowed to have an appraisal conducted; however, corrections were made and a new appraisal was resubmitted with your letter of June 11, 2002. After review by our appraiser, the corrected appraisal has been determined to be acceptable. **THIS FINDING IS CLEARED.**

Finding #7 - Property Standards. County provided copies of partial inspections performed by the County in 2000. (no inspections available after completion of the rehabilitation work). There were no work write-ups or cost estimates performed by the County. The County failed to properly inspect the units after they were originally rehabilitated and failed to follow-up on tenant information and inspection as required during tenancy. Remains **OPEN** as of 1/24/02 and will remain open until the County provides assurance that it will comply with all regulations for rental rehabilitations to include work write-ups, cost estimates, inspections and follow-ups.

County response County response is that County has ceased all rehabilitation programs.
Finding #7 County will take all reasonable and prudent steps prior to restarting
2/26/02 programs. CHDO contracts have been revised to account for the required changes.

HUD Response: The County indicates that it has ceased funding for rental rehabilitation
Finding #7 and will hereafter follow the regulations and adhere to all the requirements
4/18/ 2002: and on this basis, we are **CLEARING** this finding.

Finding #8 - Property Standards, Affordability Period, Agreement. The Subrecipient agreement is deficient and does not provide specific information relating to the requirements of rental housing and does not provide the specific affordability period. Remains **OPEN** as of 1/24/02 and will remain open until the County develops a new agreement, incorporating the applicable requirements; i.e., construction of housing, rental housing, rehabilitation, etc. The County must also provide information that it now has in place its own requirements for meeting the

regulations; i.e., inspections, property standards, work write-ups, cost estimates, appraisals, etc.

Concern #2 - CHDO Certification. County has or will take appropriate action to confirm Board composition and other applicable information.

County Response: The County has ceased operation of all rental housing program. Prior to the restart of any rental-housing program, the County will assure that the Subrecipient Agreements are updated to incorporate the applicable requirements.

HUD Response: The County agrees to correct the Subrecipient/CHDO Agreement if and when rental housing programs are undertaken in the future. This finding is **CLEARED**.
Finding #8
4/18/ 2002:

Finding #9 - Affirmative Fair Housing Marketing Plan (AFHMP) County must confirm adoption and enforcement of the Plan.

Finding #9 - Affirmative Fair Housing Marketing Plan (AFHMP) County submitted AFHMP to be adopted by Commissioners' Court. Remains **OPEN** as of 1/24/02 and pending confirmation that the plan was adopted and is being enforced.

County Response: This Plan is scheduled for adoption by the Commissioners' Court on Tuesday, March 12, 2002. Once adopted, the Plan will be enforced by the Urban County Program. Remains **OPEN** as of 2/26/02
Finding #9
2/26/ 2002

HUD Response: The County has submitted information confirming the adoption of the of the Affirmative Fair Housing Marketing Plan. This finding is **CLEARED**.
Finding #9
4/18/ 2002:

HUD RESPONSE
(separate letter of 1/28/2002)
DECEMBER 2002

HUD inquired about the Edcouch Apartments located at 614 Missouri in Edcouch, TX. HUD has knowledge that Rio Grande Valley Opportunities Industrialization Center (RGV-OIC), a CHDO who received \$ 80,000 in HOME funds to acquire and rehabilitate 11 units, was no longer operational. The agreement for this transaction was signed in January 1998, with the affordability period ending in 2003. In UCP's response dated April 2, 2002, you advised that RGV-OIC went out of business and the bank foreclosed on the property. Since the affordability period was not met, in accordance with the regulations cited at 92.252 (e), **THE COUNTY IS OBLIGATED TO REIMBURSE THE \$ 80,000 TO THE HOME ACCOUNT.** This should transpire by wire transfer and documentation of the transaction submitted to our office.

Finding #5: 8363.00 1209 Frontage, Alamo

17000.00	401 N. Hidalgo, Elsa
24000.00	Mile 5 N, Alton
8500.00	Thelma St, San Juan
8500.00	230 Silva, San Juan
7043.00	513 Broadway, Elsa
8500.00	616 Lackland, Edcouch
57500.00	Begonia/Magnolia, Elsa
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\$ 139406.00	
- 7043.00	Part of \$187,043.00 due
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\$ 132363.00	Still need additional documentation for clearance

*Work on
or +*

Finding #6(a): 100,000.00 Acquisition of Property & Affordability Period
Cotton Gin Apartments

Total Findings:

Due from County

new

#5 Edcouch Apartments-614 Missouri	\$ 80,000.00	\$ 80,000.00
#5 38 units (Alamo, Alton, etc.)	\$139,406.00	\$ 7,043.00 -513 Broadway
<i>(Amt requiring documentation \$132,363.00)</i>		
#6(a) Acq. Of Property-Cotton Gin Apts.	\$100,000.00	\$100,000.00
#6 (b) STEDC/Casa Linda Homes	\$120,000.00	\$ -0-
#7 Property Standards	\$ -0-	\$ -0-
#8 Property Standards, Aff, Agreement	\$ -0-	\$ -0-
#9 Affirmatively Fur. Fair Housing	\$ -0-	\$ -0-
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	\$439,406.00	\$187,043.00