



U.S. Department of Housing and Urban Development
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AUG 25 2009

The Honorable Dan A. Gattis
Judge, Williamson County
710 Main Street
Georgetown, TX 78626

Dear Judge Gattis:

Subject: CDBG Program Monitoring Report
On-Site Monitoring Review July 20-22, 2009

Please find enclosed the CDBG Program Monitoring Report resulting from the monitoring visit of July 20-22, 2009, by CPD Representative, Larry Wilkinson, and CPD Intern, David Rios. Based on a review of the sampled activities, and completion of all the Monitoring Handbook Exhibits, the report makes one Finding. In addition, the report makes one observation with a recommendation. A response to the Finding is due as stated in the Corrective Action section of the report. A response to the recommendation is voluntary.

A "finding" is a deficiency in performance based on a statutory or regulatory requirement. The stated corrective action will be required in order to clear the finding.

By way of general summary, we can report that the County's documentation for regulatory compliance was commendable and we thank the CDBG Program Administrator for her diligence in obtaining all necessary documentation and detailed organization of the files.

Should you have any questions in regard to this report, please contact Larry Wilkinson, CPD Rep at 210-475-6800, Ext. 2300.

Sincerely,



Richard L. Lopez
Field Office Director

Cc: Sally Jo Bardwell
Community Development Block Grant Dir.

MONITORING REPORT COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

ENTITLEMENT: The County of Williamson

DATES OF FIELD VISIT: July 20-22, 2009

HUD STAFF: Larry Wilkinson, CPD Representative
David Rios, CPD Intern

PRINCIPAL CITY STAFF INTERVIEWED:

Ms. Sally Bardwell, CDBG Program Administrator

SUMMARY OF ELIGIBLE ACTIVITIES, SCOPE OF REVIEW

Williamson County has been an Urban County entitlement grantee since FY2004, with their first program year October 1, 2004 through September 30, 2005. The County has eight participating member cities. The County receives an annual CDBG allocation of approximately \$1.1 million. Although previously monitored by our Environmental and Labor Relations specialists, the County has not been formally monitored for CDBG project activity. Projects/program activities selected during the on-site monitoring involved all three low and moderate income national objectives: low-and-moderate income area benefit (LMA), low-and-moderate income limited clientele (LMC), and low-and-moderate income housing (LMH). Monitoring also included the County's overall management as well as management of its subrecipients.

COMPLETED MONITORING EXHIBITS

During the monitoring review the Program Administrator was aware that the monitoring efforts were focused on completing the various CDBG Monitoring Handbook Exhibits pertinent to the scope of activities listed above. These exhibits cover all regulatory requirements. Due to non-affirmative responses resulting from completion of the LMC and LMH exhibits, this monitoring report will cite one observation and associated recommendation relating to LMC activity and one finding relating to LMH activity.

We should note, however, that the completion of all monitoring exhibits in connection with our monitoring review involved a myriad of questions. By way of general summary, we can report that the County's documentation for regulatory compliance was commendable and we thank the CDBG Program Administrator for her diligence in obtaining all necessary documentation and detailed organization of the files.

LOW AND MODERATE INCOME LMH ACTIVITY

Finding No. 1. The Sierra Ridge Apartment project of the Georgetown Housing Authority failed to achieve a national objective of low-and-moderate income occupancy, although \$318,314 dollars of CDBG funding allocated for site infrastructure plans has been fully disbursed from the County's Treasury account.

Regulatory Criteria: 24 CFR 570.208 (a)(3) housing activities are eligible when upon completion will be occupied by low-and-moderate income households. For rental occupancy, rents must be at affordable rents. (Certain exceptions are provided for less than 51 percent low-and-moderate income occupancy based on the percentage of CDBG funding in the project.)

Condition: The County executed agreements with the Housing Authority that met 24 CFR 570.503 criteria pertaining to the content of written agreements. The agreement set forth a timeline for progress and required that the CDBG national objective be achieved. The progress schedule showed construction to start in May of 2008 and then this date was moved to October 2008. Progress has now ceased and the contract has essentially gone into default. On June 30, 2009 the County informed the Georgetown HA that since the project has not moved forward and lost investor funding, if the project does not move forward the CDBG investment would have to be repaid through a non-federal source. On July 24, 2009, (after the on-site close out of the HUD monitoring review), the County received a response letter from the Housing Authority stating that the Board of Commissioners' intent was to build an affordable housing project on the Sierra Ridge parcel. The letter, in effect, put any further progress in moving forward to achieve a CDBG national objective in an indeterminable status. A new housing project with new funding and progress schedule would require a new contract. Moreover, the Housing Authority and the County cannot provide at this time verification that the design work paid for with CDBG funds has any transferrable use on a new project, and therefore all funds necessary for development of a new project would be paid for without any carry-over investment of CDBG funding.

Cause: Due to the 570.207(a)(3) prohibition of CDBG funding for new construction projects, the County could only commit funds in support of new construction, such as design plans and site work, and was not in a position to reserve disbursement of CDBG funds for actual construction of the housing structures. However, the County took on a higher risk posture when all CDBG funding front-ended the cost of design plans rather than being reserved for disbursement for actual site construction work. Although, the County has recourse to the Housing Authority through its contract terms, HUD only monitors for compliance of its CDBG grantees. As stated at 24 CFR 570.501(b), "The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility...the

recipient is responsible for determining the adequacy of performance under subrecipient agreements...and for taking appropriate action when performance problems arise.”

Effect: The County’s contract covering the conveyance of CDBG funding to the subrecipient has gone into default and therefore no process is currently in place to achieve the CDBG national objective of low-and-moderate income housing.

Required Corrective Action, Finding No. 1: No later than 60 days from receipt of this monitoring report, the County shall submit a new agreement for a housing project that meets the national objective criteria stated above and the regulatory criteria of 570.503(b), and submit evidence that CDBG funding for site plans is applicable to the project cited in the contract; or, repay to its Treasury account, from a non-federal source \$318,214 dollars for re-use on eligible CDBG activities.

LOW-AND-MODERATE INCOME, LIMITED CLIENTLE ACTIVITY (LMC)

Observation. Public service activity funded under 24 CFR 570.201(e) requires that Public Service activities meet a test that the public service is either a new activity or a quantifiable increase in the level of an existing service above that which has been provided during the 12 month period prior to submission of the Action Plan. 24 CFR 570.208(a)(2) refers to the low-and-moderate income limited clientele (LMC) national objective that at least 51 percent of persons served be low-and-moderate income (note the County has an exception limit of 47 percent). During the monitoring the monitors were able to successfully test for compliance with both of the stated regulatory criteria. Compliance testing was made difficult, however, because the numbers reported in the HUD IDIS PR03 report was unduplicated persons served, and the numbers reported in the application for funding and in the agreement were based on units of service

Recommendation. Since HUD IDIS guidance (provided to the CDBG Administrator) expresses a preference of unduplicated persons over units of service, we recommend that the County structure its agreements and reporting formats with the MOT to reflect unduplicated persons for the purpose of readily testing for LMC compliance. If the County wants to limit its MOT counseling cost in order to maximize unduplicated persons served the county should structure its agreement so that a maximum number of units of service are factored in to what the County will pay per unduplicated person counseled.

FHEO EXHIBITS

During the monitoring review City staff was interviewed for purposes of completing three FHEO checklists required by the CPD Monitoring Handbook. The Exhibit will be submitted to our HUD FHEO Office for their review and appropriate follow-up.