

Contract Condition FY 91 CDBG Grant

August 9, 1991

MEMORANDUM FOR: Sam R. Moseley, Regional Administrator- Regional Housing Commissioner, 6S

ATTENTION: R. D. Smith, Regional Director,
Community Planning and Development, 6C

FROM: Anna Kondratas, Assistant Secretary for
Community Planning and Development, C

**SUBJECT: Community Development Block Grant (CDBG) Program Contract Condition for Fiscal Year 1991
Houston, Texas**

This is in response to your memorandum of June 27, 1991, recommending a special grant condition for the FY 1991 Community Development Block Grant (CDBG) Entitlement program in the City of Houston, Texas. The proposed condition is designed to correct the serious deficiency regarding the City's implementation of its CDBG program, namely the failure of the City to carry out its CDBG activities in a timely manner.

Based on our review of the information submitted by the Fort Worth Regional Office, we have determined that there is sufficient evidence to justify the imposition of a special contract condition designed to address the City's failure to carry out its activities in a timely manner. In reviewing line of credit balances for the last four program years (FY 1987 - FY 1990), the City has not been in compliance with the timeliness threshold of 1.5 times its current program year amount at any tenth month review.

On April 30, 1990, sixty days prior to the end of last year's program year, the City had a balance of 1.86 program years in its letter of credit. No contract condition was placed on the grant for FY 1990. However, as of April 30, 1991, sixty days prior to the end of the City's current program year, the City had a balance of 2.07 program years in its letter of credit which is considerably higher than the 1.5 year standard established at 24 CFR 570.902(a)(1)(i).

Since May 18, 1990, the City has been advised by HUD of its slow progress in carrying out its CDBG activities and has been asked on five separate occasions (May 18, 1990, February 20, 1991, March 29, 1991, April 12, 1991 and May 24, 1991) to submit an acceptable workplan to correct the situation. On May 31, 1991 the City submitted a CDBG Expenditure Plan for the period 5/1/91 through 4/30/92.

In the Plan the City explains changes in its policies and procedures that are expected to improve the spending rate during the next program year, including adopting a policy of automatically de-obligating funds immediately upon completion of projects. However, the Plan is not acceptable in that the planned expenditures will not allow the City to reach the 1.5 threshold by April 30, 1992.

You are hereby authorized to impose the attached special contract condition on the City of Houston's FY 1991 grant. In addition, in light of your staff's proposal to also condition the FY 1992 grant to reach the 1.5 standard by April 30, 1993, the grant award letter should include the attached language.

Attachments

cc: Linda Marston, SC

LANGUAGE TO BE INCLUDED IN GRANT AWARD TRANSMITTAL LETTER FOR THE CITY OF HOUSTON'S FY 1991 GRANT

Pursuant to Section 104(e) of the Housing and Community Development Act of 1974, as amended, HUD has reviewed the performance of the City of Houston, Texas, in implementing its Community Development Block Grant (CDBG) Program and has determined that in accordance with 24 CFR 570.902, the City has failed to carry out its CDBG-assisted activities in a timely manner.

HUD has further determined that the City cannot reasonably be expected to reduce its outstanding balance of unexpended CDBG funds to an acceptable level in one program year. The expenditure schedule in the condition conveyed with this grant is based on a two year period to achieve an acceptable level of performance such that by April 30, 1992, the City will have an unexpended CDBG funds balance of 1.75, and by April 30, 1993, the City will have achieved the unexpended CDBG funds balance of 1.5 as required by the regulations. Because of the two year timetable, HUD anticipates imposing a condition on the City's FY 1992 CDBG grant requiring full compliance with the regulatory performance measure for timeliness.

CONTRACT CONDITION HOUSTON, TEXAS CDBG PROJECT NO. B-91-MC-48-0018

Pursuant to Section 104(e) of the Housing and Community Development Act of 1974, as amended, HUD has reviewed the performance of the City of Houston, Texas, in implementing its Community Development Block Grant (CDBG) Program and has determined in accordance with 24 CFR 570.902 that the City has failed to carry out its CDBG-assisted activities in a timely manner.

Therefore, notwithstanding any other provisions of the grant agreement, the City must take such actions as are necessary to expend, in accordance with program requirements, sufficient funds so that the City has no more than \$39,847,500 (1.75 times the 1991 grant) in unexpended funds as of April 30, 1992.

Failure to comply with this grant condition shall be cause for reduction of the Fiscal Year 1991 grant by the amount found to be in excess of \$39,847,500 in unexpended funds as of April 30, 1992, pursuant to 24 CFR 570.910(b)(8) and 570.911, up to the full amount of the 1991 grant.