

Mr. Brendan Mehaffy
Executive Director, Mayor's
Office of Strategic Planning
920 City Hall
65 Niagara Square
Buffalo, NY 14202-3309

SEP 29 2017

Dear Mr. Mehaffy:

SUBJECT: 2015 Annual Community Assessment
Community Development Block Grant Program (CDBG), Home Investment
Partnerships Program (HOME), Emergency Solutions Grant Program (ESG), and
Housing Opportunities for Persons with AIDS Program (HOPWA)

Enclosed please find HUD's Annual Community Assessment (ACA) for the City of Buffalo, New York. While continuing efforts are taken into consideration, this assessment was based primarily on the 2015 program year, which covered the period of October 1, 2015 to September 30, 2016.

Please note that we are requesting that a number of corrections and/or additional information be entered in the CAPER via the IDIS eConPlanning Suite. Please submit the additional information and IDIS corrections within 30 days of the date of this report.

We offer you the opportunity to respond within 30 days with any comments or updated information that you wish to bring to our attention. If no response is received, this report is final and will be considered the City's Program Year Review Letter as required by HUD regulation. Consistent with the Consolidated Plan regulations, the Program Year Review Letter should be made available to the public through your established citizen participation process. HUD will also make it available to citizens upon request.

If you have any questions about this matter, please contact Cheryl Sullivan, Senior CPD Representative, at 716-551-5755, extension 5808.

Sincerely,



William T. O'Connell
Director
Community Planning and
Development Division

Enclosure

**U.S Department of Housing & Urban Development
Buffalo, New York Office**



Annual Community Assessment Report

For

Buffalo, New York

**Program Year Period: October 1, 2015-September 30, 2016
Consolidated Plan Period: May 1, 2013-September 30, 2018**

/s/ William T. O'Connell, 9/29/2017

Introduction

As a recipient of grant funds provided by the Department of Housing and Urban Development, each jurisdiction that has an approved consolidated plan shall annually review and report to HUD on the progress it has made in carrying out its strategic plan and its action plan. The performance report is submitted to HUD in the form of the Consolidated Annual Performance and Evaluation Report (CAPER).

HUD has the responsibility to review the CAPER report and the performance for each jurisdiction on an annual basis. In conducting performance reviews, HUD will primarily rely on information obtained from the recipient's performance report, records, maintained, findings from monitoring, grantee and subrecipient audits, audits and surveys conducted by the Inspector General and financial data regarding the amount of funds remaining in the line of credit plus program income. HUD may also consider relevant information pertaining to a recipient's performance gained from other sources, including litigation, citizen comments, and other information provided by or concerning the recipient. A recipient's failure to maintain records in the prescribed manner may result in a finding that the recipient has failed to meet the applicable requirement to which the records pertains. Such information, along with grantee input, is considered in HUD's annual assessment in order to make a determination that a grantee has the continuing capacity to administer HUD programs.

In the assessment of your community's performance, this report is prepared to provide feedback on your community's performance in the delivery of HUD's Community Development Programs. This report is presented in three sections. Section I provides a general summary related to your planning and performance reporting; Section II provides a general overview related to specific program progress and performance; and Section III provides additional information regarding compliance with cross-cutting requirements.

Section I – Planning and Reporting

2015 Programs and Funding Amounts:	CDBG	\$12,635,721
	HOME	\$ 2,398,152
	ESG	\$ 1,159,066
	HOPWA	\$ 546,763

Compliance with Consolidated Plan and 2015 Annual Action Plan

It was determined that the City followed its HUD-approved Consolidated Plan and Annual Action Plan during the 2015 program year, consistent with the City's stated goals, objectives and priority needs for each program funded. These goals, objectives and priority needs are outlined in the Strategic Plan covering the period May 1, 2013 – September 30, 2018, and focus on the following themes:

Housing

- Decent, safe, and affordable housing for low and moderate-income residents, especially renter households, special needs populations, and the homeless.
- Rehabilitation of the City's aging and deteriorating housing stock, including weatherization, energy efficiency improvements, lead-based paint hazard control, and accessibility improvements.
- Construction of new housing, especially rental units.

Community Development

- Demolition of vacant, dilapidated structures.
- Improvements to community centers, parks, and recreation facilities.
- Improvements to streets and sidewalks.
- Improvements to commercial corridors.

Economic Development

- Creating a workforce with skills that match the needs of businesses.
- Improving transportation links between jobs and workers, especially low- and moderate-income residents.
- Retaining/expanding/attracting businesses to create jobs and reduce poverty.

Public Services

- Support human service providers to address the housing and supportive service needs of low- and moderate-income residents, especially special needs populations.

Corrections to CAPER

Although the 2015 CAPER was well-written and presented in a format that made the information more accessible to interested citizens, we are requesting the following corrections and/or additional information be made in the CAPER module in the eConPlanning Suite section of IDIS:

- On screen CR-15, HOME program income information is not consistent with HOME program income reported in IDIS, and should be corrected.
- On screen CR-20, Affordable Housing, the figures for affordable housing performance (including accomplishments under the HOME and CDBG program) should be revised to exclude housing units that did not qualify as "affordable housing" under the definitions used in the HOME program. Based on available information, it appears that accomplishments were over-stated by 124 CDBG-funded units (out of 140 CDBG-funded units), due to the inclusion of emergency rehabilitation and/or weatherization program activity that were limited in scope and did not bring housing units up to standard condition. Actual performance should be adjusted accordingly, and the goals set in the Annual Action Plan(s) also need to be revised to exclude such activities.
- On screen CR75, ESG Expenditures, the expenditure figures in each field need to be corrected to reflect actual amounts drawn down from each of the 2013, 2014, and 2015 ESG grants during Year 41 (between October 1, 2015 and September 30, 2016).

- On screen CR-50, HOME On-Site Inspections, the narrative needs to include:
 - A complete list of rental properties that were still in the affordability period during the 2015 program year, indicating those projects that should have been inspected on-site during the program year based upon the schedule in §92.504(d);
 - An indication of which of these were inspected;
 - A summary of issues that were detected during each inspection; and
 - A description of how the City plans to address the shortfall, if any, in inspections.

Section II – Grant Program Progress and Performance

Community Development Block Grant (CDBG)

Summary of Performance Indicators and Accomplishments

Activities: Program activities for the reporting period were adequately described in the CAPER, and, based on reported information, CDBG funds were spent on activities that meet CDBG program requirements. The following highlights CDBG activities and accomplishments that were completed during the program year:

Housing: \$3,337,934 was spent during the program year to improve owner-occupied housing, through activities that included emergency rehabilitation, energy efficiency improvements, and lead paint abatement. The City completed rehabilitation of 273 housing units with CDBG funds during the reporting period, including projects initiated in a prior program year, and rehabilitation of another 53 housing units was initiated during the program year.

Public Services: The City expended \$1,928,636 during the program year for a variety of public service activities including senior and youth services, fair housing counseling, employment training, substance abuse, and child care services. A total of 292,770 City residents received benefits through 89 public service programs. Note: the beneficiary count is not an unduplicated count, in that several could have benefited from multiple services and/or multiple deliveries of the same service, and counted as a separate beneficiary in each.

Public Facilities: The City spent \$4,824,514 on 79 separate public facilities and improvements projects, such as neighborhood centers and park and recreational facility improvements.

Economic Development: \$90,680 was spent during the program year for direct assistance to for-profit entities, primarily in the form of technical assistance and management of the City's loan portfolio. Another \$365,800 was utilized for Section 108 loan program repayments.

Clearance and Demolition: \$754,783 was spent during the program year for the demolition of 8 dilapidated and abandoned housing units and commercial structures.

National Objective Compliance: Based on information reported and described in the CAPER, the City's CDBG funded activities overall appear to be eligible and to meet a CDBG national objective, consistent with the criteria outlined in CDBG regulations.

Program Benefit: CDBG regulations also require that 70 percent of expenditures during a grantee's certification period be for activities meeting the national objective of primarily benefiting low/moderate income persons. As permitted under CDBG regulations, the City has selected a three-year certification period, covering program years 2014, 2015, and 2016. The proportion of CDBG expenditures during the 2015 program year, for activities meeting CDBG criteria for principally benefiting low/moderate income persons, was 89.66 percent, and the cumulative benefit for the first two years of the certification period is 86.79 percent.

Planning and Administration: CDBG expenditures during the program year for planning and administration costs are limited to 20 percent of the current year grant, plus 20 percent of the program income received during the current program year. As stated at 24 CFR 570.200(g), compliance with the cap is determined based on the amount of funds obligated during the program year. The calculation includes total planning/administration expenditures during the program year, adjusted by the net increase or decrease in unliquidated obligations as of the end and the beginning of the program year.

During the 2015 program year, \$3,343,268 was spent on planning and administration. This figure is adjusted by subtracting the \$828,830 of unliquidated obligations at the end of the previous year (2014), and adding \$718,181 of unliquidated obligations at the end of the current program year (2015), for a total of \$3,232,612 classified as planning and administration costs. This adjusted figure is 17.11 percent of the 2015 grant amount combined with \$6,256,244 in 2015 program income receipts. Based on reported information, the City has complied with the cap on planning/administration expenditures.

Please keep in mind that the large influx of program income during the program year (equivalent to 49.5 percent of the 2015 grant) is the primary reason that administrative expenditures during the program year were below the statutory cap. Unless similarly large amounts of program income continue to be received, this level of administrative expenditures is not likely to be sustainable in future program years.

Public Services: CDBG expenditures during the program year for public services are limited to 15 percent of the current year grant, plus 15 percent of the program income received during the prior (2014) program year. During the reporting period, the City spent \$1,928,636. When this figure is adjusted by subtracting the \$558,528 of unliquidated obligations at the end of the previous program year, and adding the \$615,822 of unliquidated obligations at the end of this reporting year, the total public services costs subject to the cap are \$1,985,931. This amount is 14.32 percent of the grant plus the prior year program income amount. Based on reported information, the City has complied with the cap on public service activities.

Program Progress and Timeliness: The CDBG program requires that, as of 60 days before the end of the program year, the City's unexpended CDBG funds should be no more than 1.5 times the annual grant. As of August 2, 2016, the balance on the CDBG line of credit was 1.49 times the 2015 CDBG amount, so that the City's program is in compliance with this standard for program year 2015.

Management

During the 2015 program year the City continued to fine-tune policies and procedures that were developed, starting in 2012, as a result of HUD requiring that the City treat the Buffalo Urban Renewal Agency (BURA) as a subrecipient, rather than as a component of local government.

Recommendations for Improvement

No recommendations are considered necessary at this time.

HOME Investment Partnerships Program (HOME)

Summary of Performance Indicators and Accomplishments

Based on reported information, HOME-funded activities appear to be eligible and to otherwise meet program requirements.

Activities: Program activities were adequately described for the reporting period. HOME funds were spent on activities that, as described, were eligible under program rules. The following highlights activities and accomplishments that were completed during the program year:

Rentals: the HOME Summary of Accomplishments IDIS report (PR23) shows \$1,560,588 was disbursed during the program year, and 63 HOME rental units were reported as completed and occupied by the end of the program year.

First-Time Homebuyer: No HOME funds were disbursed during the program year, but 7 units were reported as completed and occupied based on prior year expenditures.

Existing Owners: \$61,801 was disbursed for rehabilitation of owner-occupied housing, and 4 units were completed.

Beneficiary Compliance: All beneficiaries met the program requirement that household income is at or below 80 percent of area median income (AMI). In addition, 59 rental units completed during the program year (93.65 percent) were initially occupied by households with incomes at or below 60 percent AMI, which exceeds the program requirement that 90 percent of units be occupied by tenants with 60 percent AMI.

Commitments/Reservations/Disbursements: The HOME program requires that funds be committed or reserved to a CHDO within two years, and disbursed within five years, based on the date that HUD first awarded the funds to the City. During the 2015 program year, the City continued to meet statutory requirements to commit funds within 24 months of grant agreement issuance, and to reserve at least 15 percent of funds to CHDO's within 24 months.

Management

As noted above under CDBG, during the 2015 program year the City continued the process of fine-tuning policies and procedures that were developed, starting in 2012, as a result of HUD requiring that the City treat the Buffalo Urban Renewal Agency (BURA) as a subrecipient, rather than as a component of local government. Because the HOME program has been managed almost entirely by BURA, the transition into a subrecipient role impacted the HOME program as much as it did the CDBG program. Nonetheless, based on information reported to HUD, the City's performance in the 2015 program year is considered to be satisfactory.

Recommendations for Improvement

We have no recommendations at this time, apart from the corrections in IDIS that are discussed above, in Section I.

Emergency Solutions Grant (ESG)

Summary of Performance Indicators and Accomplishments

As reported in the CAPER, homelessness prevention services were provided to 2,611 persons, transitional housing and/or emergency shelter was provided to 3,570 persons, street outreach was provided to 555 individuals, and 371 households moved to permanent housing through the rapid re-housing program. These accomplishments were achieved through a network of 14 different providers receiving ESG funds from the City, in cooperation with the Homeless Alliance of Western New York, and with other ESG recipients in the metropolitan area, including Erie County.

Commitments and Disbursements: ESG program regulations require that the City obligate ("commit") 100 percent of the grant award within 180 days after grant award, and that the City expend 100 percent of the grant within 24 months after grant award. The City has not met ESG timeliness requirements for three of the four grants listed below. The following summarizes performance in the context of these requirements, *as of the end of the 2015 program year*. Note: figures in **boldface** represent instances of non-compliance with these requirements.

	HUD Award Date	Grant Amount	Commitment Deadline	Remaining to Commit	Expenditure Deadline	Remaining to Draw
2012	2/22/2013	\$1,259,191	8/22/2013	\$29,638.67	2/22/2015	\$35,312.20
2013	7/26/2013	\$971,690	1/26/2014	\$288,071.17	7/26/2015	\$288,071.17
2014	2/17/2015	\$1,090,546	8/17/2015	\$136,311.36	2/17/2017	\$273,061.47
2015	12/18/2015	\$1,159,066	6/18/2016	\$387,200.00	12/18/2017	\$735,001.67

Fiscal Year 2015 Grant: As of the end of the 2015 program year (September 30, 2016), a total of \$771,866 in commitments had been entered in IDIS (i.e., activities "funded"), representing only 66.6 percent of the grant; the deadline for committing all grant funds

was June 18, 2016. To date, the grant is not yet fully committed, with total commitments standing at 96.6 percent. At the end of the 2015 program year, \$424,064 (36.6 percent) had been disbursed. The disbursement deadline for this grant is December 18, 2017.

Fiscal Year 2014 Grant: As of the end of the 2015 program year (September 30, 2016), a total of \$954,235 in commitments were entered in IDIS (i.e., activities “funded”), representing only 87.5 percent of the grant; the deadline for committing all grant funds was August 14, 2015, just over a year earlier. At the end of the 2015 program year, \$817,484.53 (75 percent) had been disbursed. The disbursement deadline for this grant (February 17, 2017) was four months after the end of the 2015 program year. To date, approximately seven months after the deadline, 97 percent of the grant has been expended.

Fiscal Year 2013 Grant: As of the disbursement deadline (July 26, 2015), \$649,534 had been disbursed to the City, representing only 66.85 percent of the \$971,690 grant amount. As of the end of the 2015 program year, a total of \$683,618.83 in commitments and disbursements had been entered in IDIS (i.e., activities “funded”), equivalent to 70.4 percent of the grant. To date, all funds are committed in IDIS, and \$834,857.24 (85.9 percent of the grant) has been disbursed.

Fiscal Year 2012 Grant: As of the disbursement deadline (February 22, 2015), \$1,134,937 had been disbursed to the City, representing 90.13 percent of the \$1,259,191 grant amount. As of the end of the 2015 program year, a total of \$1,239,721 in commitments were entered in IDIS, equivalent to 97.6 percent of the grant. Disbursements at the end of the 2015 program year were \$1,223,879, or 97.2 percent of the grant. To date, all funds are committed, and 99.6 percent has been disbursed.

HUD Monitoring Results

During the City’s 2015 program year, HUD monitored the City’s ESG program, which had not been monitored since the program transitioned from Emergency Shelter Grant to the Emergency Solutions Grant program. The monitoring report was issued near the end of the 2015 program year (September 29, 2016), and contained four findings and two concerns. The findings were in the following areas: failure to meet program deadlines (see above); problems with documenting compliance with match requirements; weaknesses in documenting client homelessness according to current ESG standards; and lack of follow-up on subrecipient audits. To date, two of the findings have been cleared.

Since 2012, HUD has required the City to administer CDBG and HOME programs directly, with BURA assisting, as a subrecipient. This necessitated a significant shift in policies and procedures for those programs, which were rewritten with the help of HUD-funded technical assistance providers, and implemented after HUD review and approval. Unlike those two programs, however, ESG regulations did not permit the City to utilize an urban renewal agency as a subrecipient, meaning that many of the changes in program administration that were applied to CDBG and HOME could not be applied to ESG. Unfortunately, with the intense focus on those two programs, the City did not have the resources to update the ESG policies and

procedures to align with the new administrative structure, nor with the significant changes in regulations that occurred with the advent of the Emergency Solutions Grant program.

The City is continuing to work with the local Continuum of Care lead agency, the Homeless Alliance of Western New York (HAWNY) and with other area ESG grantees, to update policies and procedures. HUD will continue to be available for technical assistance in this area.

Management

As noted above, program management was weakened by a lack of policies and procedures that would ensure the unique requirements of the Emergency Solutions Grant program would be met. Also, based on the City's response to the ESG monitoring report, proposing to roll the older grant balances into Year 42 contracts, the City may not have been fully aware that ESG funds are subject to grant-based accounting, and have been since the first grant in Federal Fiscal Year 2011. For this reason, older grant balances cannot be rolled forward into newer activities. Each year's grant is self-contained, and drawing from more recent grants than the 2012, 2013, and 2014 awards does not reduce the balances for those older grants. Older funds will only be drawn down if a drawdown request specifies the older grant as the source.

On the other hand, the City could, internally, allocate activity balances from the older grants to current subrecipient contracts for similar activities. For example, it appears that the undisbursed balance of \$133,843.88, for IDIS activity #8592, 2013 Rapid Re-Housing, was included in the 2013 (Year 39) agreements with Catholic Charities and the Lt. Matt Urban Center to provide such assistance. The City could either include these balances in current agreements with those entities, or, if the agreements have expired, include the balances in amended agreements with other entities currently providing Rapid Re-Housing assistance. The key would be to track the separate year's funding internally, as part of the contract accounting system, and to draw first from the 2013 portion of the contract funding before drawing from more recent grants.

Recommendations for Improvement

Unexpended balances for the three grants that are now past their expenditure deadlines (2012, 2013, and 2014) total \$177,258 as of this writing. To put this in perspective, the total unexpended balance for the City of Buffalo is roughly equal to 66 percent of all such balances among ESG grantees in the Buffalo Field Office jurisdiction. The persistent slow expenditure of ESG funds could give the false impression that the City has more ESG funding than it needs; technically speaking, the funds could be subject to recapture. HUD's preference is that the funds be put to good use, as soon as possible.

Housing Opportunities for Persons with AIDS (HOPWA)

Summary of Performance Indicators and Accomplishments

During the program year, HOPWA funds provided housing assistance (rental assistance, short-term rent/mortgage/utility assistance, and permanent housing operating subsidies) to 83 households. Supportive services were provided to 77 households out of the 83 households receiving housing assistance.

Management

Evaluating grant balances on the U.S. Treasury line of credit, as of the end of the 2015 program year, the total balance was equivalent to 1.21 times the grant amount, which is well within the program target of 1.5. HOPWA recipients are expected to fully expend grant funds within 3 years of grant award. On a cumulative basis, this requirement has been met. As of the end of the 2015 program year, there was a small balance remaining for tenant-based rental assistance in the 2012 program budget, but the balance has since been disbursed, so that program progress is not a concern.

Recommendations for Improvement

The only recommendation is that the City continue efforts to complete each year's program of activities within three years of grant award.

Section III – Cross-Cutting Areas of Review

Fair Housing and Equal Opportunity (FHEO)

The review from HUD's Fair Housing and Equal Opportunity Division indicated that performance was satisfactory, with no requests or recommendations for changes in policies and/or procedures.

Lead-Based Paint

Narrative in the CAPER indicated that the City does not consider limited rehabilitation programs, such as emergency or weatherization programs, to be subject to lead-based paint regulations and procedures. However, even though such projects may not involve the comprehensive rehabilitation work as occurs with HOME-funded projects, the more limited focus of the emergency and/or weatherization programs does not automatically exclude them from lead-based paint requirements. Please review current program processes, to ensure that lead-based paint compliance is carefully reviewed on a case-by-case basis, and thoroughly documented in each case file.

This report was prepared by: Cheryl Sullivan, Senior CPD Representative
716-551-5755 extension 5808
cheryl.c.sullivan@hud.gov

HUD is providing you the opportunity to review this assessment and comment. Based on the information available at the time of this review, HUD has determined that at this time, the City of Buffalo has the continuing capacity to carry out HUD programs identified in this report.

The City has the opportunity to respond within 30 days concerning the information contained in this report. If you have any questions or would like to discuss the Assessment Report, please contact Cheryl Sullivan, CPD Representative. Ms. Sullivan can be reached at 716-551-5755 extension 5808. If you disagree with this assessment, please respond in writing to William T. O'Connell, Director of Community Planning & Development – HUD, 465 Main Street, Buffalo, New York 14203. Your response should identify any areas of disagreement and corrections or any additional comments you would like HUD to consider.

If no response is received, this report is final and will be considered the City's Program Year Review Letter as required by HUD regulation. Consistent with the Consolidated Plan regulations, the Program Year Review Letter should be made available to the public through the City's established citizen participation process. HUD will also make it available to citizens upon request.