



U.S. Department of Housing and Urban Development
Buffalo Office
465 Main Street., 2nd Fl.
Buffalo, New York 14203-1780
(716) 551-5755

SEP 13 2018

The Honorable Byron W. Brown
Mayor, City of Buffalo
City Hall
65 Niagara Square
Buffalo, NY 14202-3331

Dear Mayor Brown:

SUBJECT: 2016 Annual Community Assessment/Program Year Letter
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)

The Housing and Community Development Act of 1974, as amended; the National Affordable Housing Act of 1990; and the Consolidated Plan regulations require HUD's grant recipients to submit annual performance reports. They also require HUD to conduct an annual assessment of each grantee, to determine whether it is in compliance with the statutes and program requirements, and whether it has the continuing capacity to implement and administer its HUD programs.

The enclosed annual assessment is primarily based on the City's Consolidated Annual Performance and Evaluation Report (CAPER), although continuing efforts are also taken into consideration. Based on available information, we have determined that the City of Buffalo has met statutory and programmatic requirements and has the capacity to administer its HUD programs.

The enclosed report was previously transmitted to the City's Executive Director, Office of Strategic Planning for his review and comments. Comments were received and are included in the updated Annual Community Assessment. This report is intended to be shared with the public, in accordance with the City's Citizen Participation Plan. HUD will also make it available to citizens, upon request.

If you have any questions or comments regarding this report, please contact Kenneth Naples, Program Manager, at 716-551-5755, extension 5815.

Sincerely,

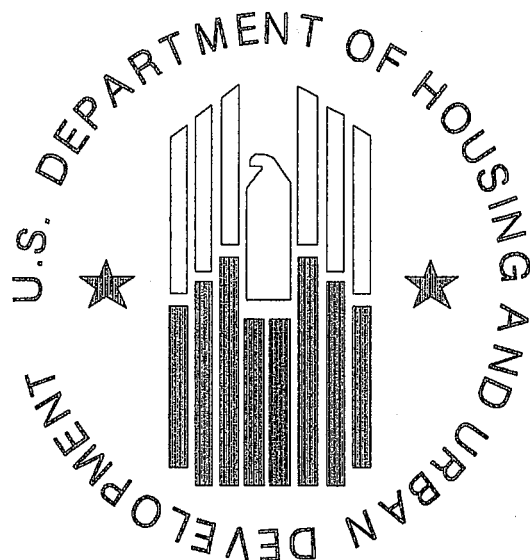
A handwritten signature in black ink that reads "Lisa Pugliese".

Lisa Pugliese
Field Office Director

Enclosure

cc:
Brendan Mehaffy
Rashika Hall

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



Annual Community Assessment Report

For

Buffalo, New York

Program Year Period: October 1, 2016-September 30, 2017
Consolidated Plan Period: May 1, 2013-September 30, 2018

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

2016 Programs and Funding Amounts:	CDBG	\$12,543,125
	HOME	\$ 2,414,585
	ESG	\$ 1,137,467
	HOPWA	\$ 557,911

Compliance with Consolidated Plan and 2016 Annual Action Plan

It was determined that the City followed its HUD-approved Consolidated Plan and Annual Action Plan during the 2016 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.

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: \$3,072,232 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 263 housing units with CDBG funds during the reporting period, including projects initiated in a prior program year, and rehabilitation of another 31 housing units was initiated during the program year. \$69,081 was also spent on assistance for homebuyers, resulting in nine (9) completed purchases.

Public Services: The City expended \$2,187,700 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 1,096,254 City residents received benefits through 117 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 \$9,830,716 on 123 separate public facilities and improvements projects, such as neighborhood centers and park and recreational facility improvements.

Economic Development: \$25,278 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.

Clearance and Demolition: \$1,064,329 was spent during the program year for the demolition of 44 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, in general, 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 2016 program year, for activities meeting CDBG criteria for principally benefiting low/moderate income persons, was 74.29 percent, and the cumulative benefit for the three-year certification period is 83.97 percent. This level of program benefit is commendable. ✓

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. During the 2016 program year, net obligations and expenditures for planning and administration totaled \$2,661,572, which is 15.76 percent of the 2016 grant amount combined with \$4,341,055 in 2016 program income receipts. Based on reported information, the City has complied with the cap on planning/administration expenditures.

Note: Out of \$5,687,968 in CDBG program income receipted in IDIS, \$1,346,913 is a transfer of funds from RL (revolving loan fund program income) to PI (non-RL program income), so that program income received in PY2016 is \$1,346,913 less than the figure generated in IDIS.

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 (2015) program year. During the reporting period, the City spent \$2,215,926 for public service activities. When this figure is adjusted by subtracting the \$615,822 of unliquidated obligations at the end of the previous program year, and adding the \$323,741 of unliquidated obligations at the end of this reporting year, the total public service costs subject to the cap are \$1,923,845. This amount is 10.23 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, 2017, the balance on the CDBG line of credit and CDBG program income was 1.39 times the 2016 CDBG amount, so that the City's program is in compliance with this standard for program year 2016.

Management and Recommendations for Improvement

During the 2016 program year the City continued to fine-tune policies and procedures related to management of their largest subrecipient, the Buffalo Urban Renewal Agency (BURA), and there are limited areas of concern, which include the following.

1. *Overdue Program Reimbursement:* HUD's review of the City's 2013 program year CAPER determined that the City did not comply with two statutory requirements: that at least 70 percent of expenditures during the 3-year certification period (2011-2013) met HUD criteria for primary benefit to low/moderate income persons; and that planning and administration activities during the program year did not exceed 20 percent of the 2013 grant amount and program income received during the 2013 program year.

While the City has documented repayment to the CDBG program for the program benefit shortfall, HUD has yet to receive documentation of reimbursement for \$106,265.66 in excess planning and administration expenditures during the 2013 program year. On July 25, 2018 the City submitted confirmation that the funds will be reimbursed to the program by January 31, 2019. The City will need to wire the funds back to the City's CDBG line of credit, following the attached instructions. The memo field in your wire transfer instructions should include the City's 2013 CDBG grant number (B-13-MC-36-0001) and the Account Number 86011101. After the funds have been added back to the City's CDBG line of credit, you will need to take the next steps in IDIS, to ensure that the City has access to the returned funds for other eligible CDBG program costs. The drawdowns to be revised should be those associated with IDIS Activity Number 8521.

2. *Lead-Based Paint:* Narrative in the CAPER seemed to indicate that the City considers limited housing rehabilitation programs, such as emergency or weatherization programs, to be exempt from lead-based paint regulations and procedures. However, limiting activities to repair of a single building component (such as repair/replace a roof, furnace, electrical service, etc.) does not automatically exempt program activities from lead-based paint requirements. The program design of the City's Emergency Rehabilitation Program may reduce the likelihood that a project will trigger lead-based paint requirements, but it does not eliminate it.

The City's July 25, 2018 response confirmed that program processes now ensure that lead-based paint compliance is carefully reviewed and documented, on a case-by-case basis, in each project file.

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 \$3,651,767 was disbursed during the program year, and 27 HOME rental units were reported as completed and occupied by the end of the program year.

First-Time Homebuyer: \$415,118 was disbursed during the program year, and 2 units were reported as completed and occupied.

Existing Owners: \$648,737.50 was disbursed for rehabilitation of owner-occupied housing, and 20 units were completed.

Beneficiary Compliance: All beneficiaries were reported to have met the program requirement that household income is at or below 80 percent of area median income (AMI). In addition, 25 rental units completed during the program year (92.59 percent) were initially occupied by households with incomes at or below 60 percent AMI; this 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 to CHDO projects within two years, and disbursed within five years, based on the date that HUD first awarded the funds to the City. During the 2016 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

HUD has noted that City strategies involving HOME-funded substantial rehabilitation, to create homebuyer housing, have been the subject of significant public debate in recent weeks, given the higher cost per unit compared to similar programs in other HOME participating jurisdictions. We are aware that the City's approach has attempted to contribute to neighborhood stabilization, in addition to creating more affordable housing.

We will continue to be available to work with the City as you evaluate the effectiveness of existing strategies, and consider whether adjustments to your housing and community development strategies are needed.

Recommendations for Improvement

We have no recommendations at this time.

Emergency Solutions Grant (ESG)

Summary of Performance Indicators and Accomplishments

As reported in the CAPER, homelessness prevention services were provided to 636 persons, transitional housing and/or emergency shelter was provided to 4,018 persons, street outreach was provided to 391 individuals, and 159 households moved to permanent housing through the rapid re-housing program. These accomplishments were achieved through a network of 12 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 timely expenditure requirements for two of the three grants listed below. The following summarizes performance in the context of these requirements, updated as of September 7, 2018.

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
2014	2/17/2015	\$1,090,546	8/17/2015	\$0	2/17/2017	\$10.31
2015	12/18/2015	\$1,159,066	6/18/2016	\$46.93	12/18/2017	\$7,270.32
2016	10/11/2016	\$1,137,467	4/11/2017	\$14,678.15	10/11/2018	\$173,220.36

Progress has greatly improved: as of March 31, 2018, ESG balances from the 2012 and 2013 grants have been completely disbursed, and the 2014 grant has been substantially disbursed. However, the City has not met commitment deadlines for the three grants, and has missed the disbursement deadlines for the 2014 and 2015 grants.

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, all findings have been cleared. 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

The City has drafted a comprehensive set of policies and procedures, to address the unique requirements of the Emergency Solutions Grant program. Together with the improvement in program expenditures, program management has significantly improved.

Recommendations for Improvement

The City should continue efforts to catch up with commitment and disbursement deadlines, and to improve program oversight so that the other program requirements are met. HUD will continue to be available for technical assistance, as needed. ✓

Housing Opportunities for Persons with AIDS (HOPWA)

Summary of Performance Indicators and Accomplishments

During the 2016 program year, HOPWA funds provided housing assistance (rental assistance, short-term rent/mortgage/utility assistance, and permanent housing operating subsidies) to a total of 160 households, including 48 receiving tenant-based rental assistance, 29 in permanent subsidized housing units, and 5 receiving short-term assistance with rent/mortgage/utility costs. Supportive services were also provided to each of these households.

Management

Evaluating grant balances on the U.S. Treasury line of credit, as of the end of the 2016 program year, the total balance was equivalent to 1.5 times the grant amount, which is equal to the program target of 1.5. HOPWA recipients are also expected to complete activities and fully expend grant funds within three years of grant award.

HOPWA grants awarded prior to the start of the City's 2015 program year (October 1, 2015) were added to the City's line-of-credit (LOCCS) and disbursed to the City on a first-in-first-out basis. As of the end of the 2016 program year, all grant funds up to and including the 2013 grant had been fully disbursed, within the three-year performance period.

The performance period for the 2014 grant ended February 16, 2018, after the end of the 2016 program year. However, as of September 1, 2018 there is a balance of \$81,867 remaining to be disbursed from the 2014 grant. This balance includes \$67,311 from program year 2014 grant projects, and \$14,556 remaining from the 2009 and 2012 grant allocations to the American Red Cross, for permanent housing placement services and/or short-term rent, mortgage and utility assistance.

Accordingly, for HUD to extend the 2014 grant performance period, the City needed to submit a spending plan to Buffalo CPD, laying out the spend-down period for the balance. The spend-down plan submitted to HUD July 25, 2018 has been reviewed and approved by HUD. Under separate cover we will issue an amendment to the 2014 grant agreement that extends the performance period to September 30, 2019. The amendment will be incorporated into the official HUD grant file once the City and HUD have signed the amendment.

Please be reminded that the performance period for the 2015 HOPWA grant will end December 31, 2018. As of September 1, 2018, the undisbursed balance is \$150,485.20. If it is possible that the grant will not be fully disbursed by December 31, 2018, the City should request an extension of the performance period, accompanied by a spending plan. HUD can then issue an amendment to the 2015 grant agreement. HOPWA program policy requires the amended grant agreement to be fully executed no later than 30 days prior to the original performance period deadline (November 30, 2018). In order to meet this deadline, the City should submit the 2015 extension request and spending plan no later than October 31, 2018. ✓

Recommendations for Improvement

In addition to submission of a spending plan for 2015, the only recommendation is that the City continue efforts to complete each year's program of activities within three years of grant award, which may include discussions with subrecipients concerning timely submission of requests for reimbursement of HOPWA expenses.

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.

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

City of Buffalo
Response
July 25, 2018



CITY OF BUFFALO
OFFICE OF STRATEGIC PLANNING



BYRON W. BROWN
MAYOR

BRENDAN R. MEHAFFY
EXECUTIVE DIRECTOR

July 25, 2018

William T. O'Connell, Director, CPD Division
US Department of Housing and Urban Development
Buffalo Office
465 Main Street
Buffalo, NY 14202

Re: 2016 Annual Community Assessment (ACA) CDBG, HOME, ESG, and HOPWA

Dear Mr. O'Connell:

This letter is in response to your correspondence dated May 04, 2018 that provided an assessment of the City of Buffalo's administration of the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG) and Housing Opportunities for Persons With AIDS (HOPWA). Thank you for providing the City additional time to respond to HUD's assessment. As a result, please accept the contents of this letter as the City's official response.

Regarding the 2016 assessment of City's CDBG performance-

The City agrees with all but one of the accomplishments summarized in the assessment. On page 3, HUD states that within the Clearance and Demolitions activities "\$1,064,329 was spent during the program year for the demolition of 6 dilapidated and abandoned housing units and commercial structures." Although we agree with the amount spent, we have a conflicting record for the unit count. The City has recorded 44 properties cleared and/or demolished for the 2016 program year, not 6, and request that this discrepancy be researched.

Regarding CDBG management and recommendations for improvement-

1. *Overdue program reimbursements-* The City has acknowledged in previous correspondence the intention to repay the 3-year (2011-2013) cumulative amount over the 20% administrative cap of \$106,265.66. Due to the complicated nature of the real estate transaction, the City requests additional time for final payment in order to fulfill this obligation. The property pending sale has been identified and the anticipated closing proceeds will be well over the amount necessary to satisfy this obligation. The City anticipates the closing of this property within in the next 6 months. Upon the sale, a total lump sum payment will be rendered to HUD.

Regarding CDBG management and recommendations for improvement-

2. *Lead-based paint-* The City recognizes the fact that activities that rehabilitation repairs of a single building component does not automatically exempt program activities from lead-based paint requirements. Each activity and project scope is examined on a case-by-case basis and is carefully reviewed and documented to ensure lead-based paint compliance where applicable. The following language has been taken from our latest Housing Guidebook p.40. *“The City of Buffalo Office of Strategic Planning follows the federal regulations found at 24 CFR Part 35 in dealing with lead based paint hazards in housing receiving federal assistance. In this regard, OSP shall either require paint testing on the painted surfaces to be disturbed or replaced during rehabilitation activities, or presume that all affected painted surfaces are coated with lead based paint. In the administration of federally funding housing rehabilitation activities, OSP will require compliance with 24 CFR 35 by all participating parties.”* The current version of the City’s Housing Guidebook will be emailed to your, and Cheryl Sullivan’s attention with a copy of this letter. Please keep in mind that this Guidebook is currently being updated to include recent regulatory changes.

Regarding HOME management and recommendations for improvement-

The City appreciates HUD’s confidence in our ability to administer the HOME program in that there were no recommendations for improvement at this time. We will continue to strive for optimum performance and continued compliance of HOME regulations.

Regarding ESG management and recommendations for improvement-

The City has been working closely with HUD over the past two years to catch up with commitment and disbursement deadlines, as well as, enhance the program’s overall vitality. To date, the City has worked closely with the Continuum of Care and other relevant industry partners to update our Written Procedures, Housing Habitability Standards, Policies & Procedures, Match Certification Forms, Verification of Homelessness forms. In addition to forms, the City has improved ESG Match verification process, working diligently to ensure that the match is being tracked throughout the program year. In addition to these enhancements, we have reduced the outstanding 2014-2015 commitment amount from \$39,801.11 to \$46.93, with that amount to be obligated before the end of this current program year. Also, we have reduced the outstanding 2014-2015 remaining draw amount of \$110,730.94 to \$25,476.89 with that amount to be drawn down this current program year. We believe the City will continue efforts to strengthen the ESG program.

Regarding HOPWA management and recommendations for improvement-

The City has been working closely with our community partner and the Audit and Control department to intensify efforts toward timely draws against the HOPWA grant. Historically, the Subrecipient to the HOPWA grant would submit an entire year of invoices at the end of their fiscal year, which in turn created obligatory challenges within the program. It is anticipated that moving forward, the Subrecipient will comply with the terms of the contract to submit requests for reimbursements in a timely fashion. To date, the spend down plan includes contract modifications that are currently in process to include the outstanding amount of \$81,867.00. It is anticipated, that these funds will be fully drawn, by the close of the current program year.

that are currently in process to include the outstanding amount of \$81,867.00. It is anticipated, that these funds will be fully drawn, by the close of the current program year.

Should you have any questions, or concerns regarding this request, please do not hesitate to contact me at bmeahffy@city-buffalo.com, or 716-851-4769. As always, thank you for your courtesies.

Respectfully,

A handwritten signature in black ink, appearing to read "B Meahffy", with a long horizontal stroke extending to the right.

Brendan R. Meahffy
Executive Director, Mayor's Office of Strategic Planning

Cc: Rashika L. Hall, HUD Grant Programs Administrator
Cheryl Sullivan, CPD Representative

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