



U. S. Department of Housing and Urban Development

Knoxville Field Office, Region IV  
John J. Duncan Federal Building  
710 Locust Street, Suite 300  
Knoxville, Tennessee 37902-2526

November 23, 2015

Ralph M. Perrey, Executive Director  
Tennessee Housing Development Agency  
Andrew Jackson Building  
502 Deaderick Street, Third Floor  
Nashville, TN 37243

Dear Mr. Perrey:

SUBJECT: Consolidated End-of-Year Review - Program Year (PY) 2014  
State of Tennessee

Annually, the U.S. Department of Housing and Urban Development (HUD) is required to conduct a review of performance by grant recipients. The review consists of: analyzing the State of Tennessee's consolidated planning process; reviewing management of funds; determining the progress made in carrying out HUD policies and programs; determining the compliance of funded activities with statutory and regulatory requirements; and determining the accuracy of required performance reports; as well as evaluating accomplishments in meeting key Departmental strategic goals and objectives. Concurrently, the Secretary of HUD must determine that the grant recipient is in compliance with the statutes and has the continuing capacity to implement and administer the programs for which assistance is received. This annual assessment covers the 2014 Program Year, for the period of July 1, 2014, to June 30, 2015.

In addition to meeting the mandates of the statutes, this assessment provides a basis for the State of Tennessee and HUD to work together collaboratively in achieving housing and community development goals. The Office of Community Planning and Development (CPD), in consultation with the Office of Fair Housing and Equal Opportunity and the Field Office Director, completed this assessment.

We congratulate the State of Tennessee and the Tennessee Housing Development Agency (THDA), the lead agency for the Consolidated Planning Programs, on the many accomplishments toward implementing programs and policies, which carried out the strategies, as outlined in the 2010 Consolidated Plan (July 1, 2010, to June 30, 2015). The submitted Consolidated Annual Performance and Evaluation Report (CAPER) covers the period of July 1, 2014 - June 30, 2015, which is the final year of the five-year consolidated planning period. This Office applauds the State of Tennessee for this effort.

During the 2014 Program Year, the State of Tennessee implemented many worthwhile activities and programs and expended funds in a timely manner. HUD funding was used to

address the following HUD objectives: to create a suitable living environment, to provide decent housing, and to create economic activities. The State of Tennessee has established priorities and action steps that relate to both housing and non-housing community development needs which are outlined in the State's five-year Consolidated Plan. Program funds continue to be used in accordance with the requirements of the Consolidated Plan regulations and the applicable regulations governing the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons With AIDS (HOPWA) Programs.

We commend the State of Tennessee on the successful completion of grant activities utilizing the Neighborhood Stabilization Program (NSP) 1 and NSP 3 funds, administered by THDA. Further guidance will be provided on officially closing out the grants when it is received by the Office.

The State of Tennessee was awarded three CDBG Supplemental Disaster Recovery grants: \$92,517,890 for 2008, \$30,906,517 for 2010, and \$13,810,000 for 2011. These grants are being administered by the Tennessee Department of Economic and Community Development (ECD). Significant progress has been made under the 2008 and 2010 disaster grants and all grant funds under the 2008 and 2010 disaster grants are expected to be fully expended by December 31, 2017. However, it is further noted that disaster funds in the initial amount of \$5 Million (Round 1) for the 2011 Disaster Recovery grant (grant number B-13-DS-47-0001) were obligated on February 14, 2014. These funds are **required** to be expended within two years of the date of obligation which is February 14, 2016. To date, only \$1,661,758.12 of the initial \$5 million obligated under Round 1 has been disbursed. **It is imperative that the remaining funds be disbursed by February 14, 2016, or any remaining funds under Round 1 will be deobligated.** Additionally, the amended 2011 Disaster Recovery Plan approving Round 2 was approved by this Office and funds were obligated in the amount of \$4,200,000 on July 15, 2015. Round 2 funds must be expended by July 15, 2017. To date, \$9,200,000 of the total amount awarded (\$13,810,000) has been obligated.

Based on the risk analysis review conducted by CPD, the State of Tennessee's HOPWA Program, administered by the Tennessee Department of Health, was monitored onsite during the year. I am pleased to say that there were no findings or concerns as a result of the review. The HOPWA staff has taken considerable measures to make sure that grant funds are being committed and expended in a timely manner on eligible activities. In addition, technical assistance was provided to ECD regarding its disaster recovery grants on several occasions. A letter was also forwarded to Randy Boyd, ECD Commissioner, on March 9, 2015, that outlined the status of the above disaster grant funds.

In the review of the CAPER, the information entered in the Integrated Disbursement Information System (IDIS), HUD Program Offices comments, and CPD staff discussions and/or knowledge of the State's activities during the 2014 Program Year, the following determinations and comments are offered as follows:

### The CDBG Program - Administered by ECD

The State made available a total of 82 awards to new recipients during the reporting period totaling \$29,369,086 which included the amount awarded in 2014 (\$25,160,023) plus additional funds that were recaptured or unspent from completed projects from previous years as well as CDBG loan repayment funds from the CDBG Economic Development Loan Program. The awards included an imminent threat grant that was awarded outside of the regular round application process based on immediate need in the affected community. Based on information from the Performance Evaluation Report (PER) submitted with the CAPER, 248,741 persons were reported as beneficiaries of which 181,245 (73 percent) were low- to moderate income (LMI).

The largest portion of CDBG funds awarded in the reporting period (79 percent) continued to be designated for public facilities improvements, i.e., installation or rehabilitation of water and sewer systems, which contributed to economic development opportunities in the communities where the CDBG projects took place. Other activities funded during the program year included: housing rehabilitation, clearance, relocation, commercial façade, administration and planning. During the reporting period, CDBG funds assisted with affordable housing activities completing rehabilitation of 28 housing existing units. This Office continues to encourage the State to consider using CDBG funds to implement a program of assistance and loans to microenterprises and small businesses and for job training. Such activities would help provide a more comprehensive approach to community development, implement strategies in the Consolidated Plan and help with the State's initiatives to move families from welfare to work.

The State continued to meet the timely distribution of CDBG funds requirements in 24 Code of Federal Regulations (CFR) 570.494(a) by obligating 95 percent of its funds to units of local government within 12 months of the State signing its grant agreement with HUD, and 24 CFR 570(b)(1) that requires all of the state's annual grant (excluding state administration) be obligated and announced to units of general local government within 15 months of the State signing its grant agreement with HUD. In addition, the State has reduced its ratio of unexpended funds to 2.32 as of June 30, 2015, over last year's ratio of 2.44. However, there are many activities showing under the IDIS Report PR59, CDBG Activities At Risk Dashboard, that continue to require explanation and remediation plans be submitted in IDIS that are overdue. This Office will be contacting the ECD staff in the near future regarding possible technical assistance to clear up the issue.

### The HOME Program - Administered by THDA

The State of Tennessee's HOME Program provides affordable housing through homeowner rehabilitation, homeowner new construction, rental acquisition/rehabilitation, homeownership down payment assistance, and new construction. The State of Tennessee received an allocation of \$10,096,577 in 2014. During the program year, the HOME Program contributed to the completion of 87 units of affordable housing utilizing funds from various

program years as well as program income. State subrecipients that were awarded 2014 HOME and prior year funds have proposed to provide for or rehabilitate an additional 452 units of affordable housing for LMI beneficiaries. The State continues to meet all commitment, community housing development organization (CHDO), and disbursement requirements.

#### The HOPWA Program - Administered by the Tennessee Department of Health (TDOH)

During 2014, the State continued to expend its annual HOPWA allocation on homeless prevention activities by providing housing assistance (short-term rent, mortgage and utility assistance), supportive services, permanent housing placement, and housing information services. During the reporting period, a total of \$939,055 in HOPWA funds was made available from HUD. The State retained \$28,155 for administration and awarded the remainder to seven project sponsors covering 77 counties in Tennessee. During the program year, the HOPWA Program assisted 441 individuals with HIV/AIDS and 306 affected family members as beneficiaries. The largest portion of funds expended was used for short-term rent, mortgage and utility assistance. As noted above, the State's HOPWA Program, administered by the TDOH, was monitored onsite during the year with no findings or concerns as a result of the review.

#### The ESG Program - Administered by the THDA

The ESG Program provides supportive services and affordable housing through its homeless assistance and homeless prevention activities which include rapid re-housing and homelessness prevention. During the reporting period, the ESG Program assisted over 17,095 beneficiaries with ESG funds and provided 814 bed spaces. During FY 2014, all of the funds made available during FY 2013 (\$2,226,946) were allocated. Additionally, of the funds made available in FY 2014 (\$2,734,930), \$1,135,946 was allocated during FY 2014. The remaining 2014 ESG funds will be awarded during the 2015 ESG funding application round.

#### Homeless and Special Needs Activities

In order to address the needs of homeless persons, as well as the special needs of persons that are not homeless, certain actions have been taken by THDA and the TDOH. The ESG Program provided services for individuals and families who are homeless or at risk of homelessness. The HOME Program made funds available during FY 2014 under the supportive housing funding category as well as provided a homeless youth set-aside. The HOPWA Program provided housing assistance and related supportive services to persons living with HIV/AIDS and their families.

#### Affirmatively Furthering Fair Housing

The Office of Fair Housing and Equal Opportunity (FHEO), Programs and Compliance Branch, reviewed the State of Tennessee's CAPER for compliance with HUD Regulations at 24 CFR 91.521(a) and the Fair Housing Review criteria and recommended approval of the plan.

HUD will also continue to work with our grantees in implementing activities which promote and increase energy efficiency and make healthy home improvements, prevent foreclosures, preserve affordable rental housing, reduce residential vacancy rates, and reduce homelessness, including veterans, family and chronic homelessness. The Department will continue its quest to “transform the way it does business” with our partners to make sure our programs and funding are efficient, effective, transparent, and protecting the public trust. Major emphasis will continue on building sustainable communities free from discrimination and partnering with other Federal departments in these efforts. During the 2015 Program Year and as you plan for the 2016 Program Year, please pay close attention to the following:

1. **Frequent, Accurate, and Up-to-date Reporting In IDIS.** At the end of each Federal fiscal year, HUD reports information on the accomplishments achieved using CDBG and HOME funds in its Annual Performance Report. This report uses the accomplishments reported by grantees in IDIS to measure the success of the Consolidated Planning Programs, especially HOME and CDBG, in achieving goals. This information is analyzed by the OMB and Congress and is an important consideration in future funding of the program. Therefore, it is critical that your jurisdiction reports all accomplishments for each of its activities in a timely manner. While some activities will not have accomplishments for the current fiscal year, most will. In addition, where feasible, make sure to include entries relative to lead-based paint and energy “green” accomplishments. This will enable CPD to capture data needed in those areas. At the same time, please pay close attention to making sure that data entered into IDIS complies with the regulations and have accomplishments which can be documented in your applicable funded program.
2. **The HOME Participating Jurisdictions (PJs) Open Activities Report.** The report is on HUD’s website each month. It is available to assist PJs in identifying projects that may need to be cancelled or projects that remain in "open" status despite their having been completed. This report provides information on all HOME projects entered in IDIS that have not been completed. Its primary purpose is to enable PJs to regularly review and identify open projects that should be completed in IDIS or cancelled. This report can be found online at: <https://www.hudexchange.info/>. CPD and the Office of Affordable Housing Programs will continue tracking your jurisdiction’s progress in this area. Please note that failing to enter this information into IDIS has a negative impact on the State of Tennessee’s scores, and, subsequently, its National and State Ranking with other PJs. Also, CPD offers technical assistance to help PJs improve their scores. As always, the Department continues to need accurate reporting on all Consolidated Planning programs.
3. **Timely Completion of Activities.** As we reviewed information in IDIS, a large number of stalled activities were observed. Please take time to review those activities to make sure that they are completed in a timely manner and that attention is focused on implementing stalled activities. As you know, this Department is always available to offer technical assistance and guidance.
4. **Minority Business Enterprise (MBE) Reporting.** Executive Orders 11432 and 11625 require all Federal agencies to promote MBE, including women business

enterprises, participation in their programs. The State of Tennessee is encouraged to expand its efforts in these areas and submit the MBE report (HUD Form -2516) on the Consolidated Plan Program funds. The next MBE report, "Contract and Subcontract Activity," will cover the period of October 1, 2015 - September 30, 2016. The completed form has a submission date within 10 days of September 30<sup>th</sup> each year.

5. **Section 3 Reporting.** The Department encourages compliance to Section 3 of the HUD Act of 1968, and implementing regulations at 24 CFR Part 135. Section 3 provides to the greatest extent feasible opportunities of employment and training be given to lower income residents of the project area and contracts be awarded to businesses located in or owned substantially by residents of the project area. It helps low-income residents gain the skills and jobs needed to become self-sufficient. The program also provides opportunities for qualified, low-income business owners to receive preference in bidding on HUD-funded contracts. Grantees are required each year to submit a Section 3 Report, which is due for entitlement grantees at the same time they submit their CAPERs. Below is the Section 3 reporting link:  
<http://portal.hud.gov/hudportal/documents/huddoc?id=AssistantSecretaryLetter.pdf>
6. **Conflict of Interest Requirements.** We would like to take this opportunity to remind all grantees of the conflict of interest regulations regarding all of the Consolidated Planning programs: CDBG at 24 CFR Part 570.611; HOME at 24 CFR Part 92.356, ESG at 24 CFR Part 576.57(d) and 24 CFR 570.611(d) & (e), and HOPWA at 24 CFR Part 574.625. All of the Department's programs are governed by conflict of interest requirements. Each program provides information on what may be considered a conflict and who may be covered. In addition, each provides a process by which a grantee can contact CPD to request an exception to the conflict of interest regulations. Failure to comply with the conflict of interest provisions will result in funding connected to the conflict being questioned and disallowed. We encourage all of our grantees to implement conflict of interest procedures that will assist all employees, elected officials and subgrantees in being in compliance and will assist the grantee with early detection of possible conflict of interest matters. CPD and the Chief Counsel are always available to provide guidance on possible conflict of interest compliance matters.

As a result of our review of the CAPER and applicable information on progress and compliance, HUD has determined that the State of Tennessee has the continuing capacity to implement and carry out the Consolidated Planning programs and that for the 2014 Program Year the progress has been acceptable. You are invited to submit to this Office, within 30 days, your written comments about the content of or conclusions expressed in this letter. Please make this letter available to the public within 30 days of its receipt or the submission of your comments to HUD.

We also encourage the sharing of this assessment report with: the media, those on your mailing list of interested persons, members of your advisory committee, and/or those who attended hearings or meetings. HUD will make this information available to the public upon

request and may provide copies of this report to interested citizens and groups. If you have any questions, please call me at (865) 545-4391.

Very sincerely yours,

A handwritten signature in black ink that reads "Mary C. Wilson". The signature is written in a cursive style with a large initial "M".

Mary C. Wilson, Director  
Office of Community Planning  
and Development

cc:

Honorable Bill Haslam

Governor, State of Tennessee

Randy Boyd, Commissioner, ECD

Bettie Teasley Sulmers, THDA

Shanell L. McGoy, Ph.D., M.P.H., TDOH



U. S. Department of Housing and Urban Development  
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Knoxville, Tennessee 37902-2528

October 6, 2015

MEMORANDUM FOR: Mary Wilson, Director, Knoxville Office of Community Planning and Development, 4JD

THROUGH: *SDM*  
Marilyn Moore-Lemons, Director, Programs and Compliance Division Georgia/Mississippi/Tennessee, 4GES

FROM: Stephen D. Moore, Equal Opportunity Specialist, Programs and Compliance Division, Knoxville, Tennessee, 4JES

SUBJECT: Review of Consolidated Annual Performance Evaluation Report for Grantee: State of Tennessee Knox County Fiscal Year 2014-2015

The Office of Fair Housing and Equal Opportunity (FHEO), Programs and Compliance Branch, has reviewed the above Consolidated Annual Performance Evaluation Report (CAPER) on October 6, 2015, in accordance with HUD Regulations at 24 CFR 91.520(a) and the Fair Housing review criteria. FHEO recommends that the 2014-2015 CAPER be approved.

If technical assistance or clarification regarding the review is needed, please contact Stephen D. Moore at [Stephen.D.Moore@hud.gov](mailto:Stephen.D.Moore@hud.gov) or 865-474-8214.

CODE KEY: DD7 RISK FACTOR CODE: LR STATUS CODE: A