



CITY OF HOUSTON
Housing and Community Development Department

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Sandra H. Warren, Director
U.S. Department of Housing and Urban Development
Houston Field Office, Region VI
Office of Community Planning & Development
1301 Fannin Street, Suite 2200
Houston, TX 77002

Re: End-Year-Review Letter for 2010 Program Year (July 1, 2010 to June 30, 2011)

Dear Ms. Warren:

This letter is in response to your May 15, 2012 letter regarding the Department of Housing and Urban Development's (HUD) review and assessment of the City of Houston's (City) 2010 Consolidated Annual Performance and Evaluation Report (CAPER) submission as well as HUD's review of the City's Consolidated Plan covered programs to assess the overall progress of the programs.

In the letter, HUD identified three issues that require immediate attention regarding the City's program compliance and performance. Status updates on all three issues are provided below.

Issue 1: HUD conducted an on-site monitoring review of the Community Development Block Grant (CDBG), Community Development Block Grant-Recovery (CDBG-R), Neighborhood Stabilization Program-1 (NSP-1), and Housing Opportunities for Persons with AIDS (HOPWA) on March 2, 2011 through March 10, 2011 noting eight (8) findings. As of the end of the program year, all eight remain open and are listed at the end of this section. Separate communications relative to these outstanding findings have been sent to the City. Please provide any supporting documentation sufficient to resolve all thirty (30) Open findings, including the eight (8) mentioned above (Open Findings as of End of 2011 program Year (June 30, 2011)).

Status: Currently the City has 15 open monitoring findings. Of the 15 open findings, 13 findings were issued in the 2008 HUD Monitoring letter and 2 findings were issued in the 2011 HUD Monitoring letter. The City is working closely with Senior CPD Representative Benny Rodriguez to resolve all 15 findings. The City expects to receive a status update letter on the 2008 findings from HUD and City staff members are working to close the remaining 2011 findings.

Issue 2: The review of the CAPER by the Office of Fair Housing and Equal Opportunity (OFHEO) indicated concerns. The Analysis of Impediments (AI) for the City of Houston deficiencies has been addressed under separate correspondence. Specifically, HUD is concerned about the City's affirmatively furthering fair housing actions and Analysis of Impediments (AI).

- a) The current AI identified 16 different impediments to fair housing choice but the City has not been able to document any funding of federal dollars to overcome these impediments.

- b) Going forward, the City should commit to utilizing some of their funding towards reaching the goals that they have outlined in their AI. If not, the City will be challenged on the authenticity of their civil rights certification and their commitment to overcoming these impediments.
- c) The City's efforts to overcome impediments should be more proactive. HUD commits to providing technical assistance to help identify and create more quantifiable solutions.
- d) The City must commit to an increased effort to building multifamily affordable housing in areas outside of minority concentration.

Status: The City is working diligently to resolve the concerns the Office of Fair Housing and Equal Opportunity has regarding the Analysis of Impediments and other fair housing activities the City is conducting. In March, the City met with Christina Lewis and other stakeholders to discuss the concerns regarding the Analysis of Impediments. The City will work with a consultant who will be provided through the HUD One CPD initiative.

Additionally, several Housing and Community Development Department (HCDD) staff members have recently attended fair housing training and HCDD has taken steps to further address fair housing issues by creating a Fair Housing Subcommittee as part of the HCDD's Advisory Task Force and by identifying \$150,000 in administrative funds in the 2012 Annual Action Plan to be used on fair housing activities.

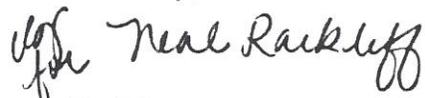
Finally, members of the multifamily staff are discussing ways to address OFHEOs concern regarding the construction of multifamily affordable housing in areas of minority concentration. The City welcomes HUD's offer for technical assistance and may request its help while addressing this issue.

Issue 3: There continues to be a significant concern regarding the financial reporting. As stressed in the 2007, 2008 and 2009 assessment letters, the financial review of the past CAPERs is proceeding slowly. The 2005 and 2006 CAPERs have been reviewed and reconciled, based upon the revisions provided by the City. The 2007 CAPER is pending the final determination of Finding M8003, which may impact the Public Services CAP calculation and cause the 2007 CAPER to be reevaluated. Also, the 2008 CAPER is pending the response to information associated with the City's loan portfolio. The review of the 2009 CAPER has not yet been initiated, as the prior year's CAPERs are not fully reconciled.

Status: HCDD staff members continue to work closely with CPD Financial Analyst Wayne Sidell to address all financial issues with previous CAPERs. HCDD recently submitted information to Mr. Sidell regarding several different properties in the City's loan portfolio and we await his response to the information provided.

If you have any questions, I can be contacted at (713) 868-8452 or you may contact Derek Sellers, our department's HUD liaison, at (713) 868-8428.

Sincerely,



Neal Rackleff