U.S. Department of Housing and Urban Development

Philadelphia Office
The Wanamaker Building
100 Penn Square East
Philadelphia, Pennsylvania 19107-3380

MAY 31 2019

David Hunter, Acting Director
Community Planning and Development Division
815 Washington Street – Room 3-12
Reading, PA 19601-3690

Dear Mr. Hunter:

RE: Annual Community Assessment
City of Reading, Pennsylvania
January 1, 2018 through December 31, 2018

The provisions of the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require the annual submission of performance reports by grant recipients receiving federal assistance through programs covered under these Acts. Additionally, these Acts require that a determination be made by the Secretary of the U.S. Department of Housing and Urban Development (HUD) 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.

The Consolidated Plan regulations at 24 CFR 91.525 require the Department to evaluate and report to the public on a community's overall progress in the management of its program funds, compliance with the Consolidated Plan, the accuracy of performance reports, and the extent to which progress has been achieved toward the statutory goals identified in Section 91.1. This letter serves to apprise you of our assessment of the City of Reading's overall progress.

In making our evaluation, we relied primarily upon the city's submission of the Consolidated Annual Performance and Evaluation Report (CAPER) for Fiscal Year 2018. This report summarized accomplishments made with funds provided from the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and Emergency Solutions Grants (ESG) Programs. In addition, we took into account technical assistance, follow up conversations and electronic mails with the city's staff and the handling of citizen comments and complaints. This letter is a summary of our review of the City of Reading's overall performance.

As you know, under the update to the Part 91 Consolidated Planning regulations that came into effect March 13, 2006, all Annual Action Plans and CAPERs are required to include performance measures as part of their annual reporting. The Office of Management and Budget has deemed this information necessary to validate the continued funding of HUD programs. The city provided performance measures as required by this guidance.

The HUD timeliness requirement is that a community may have no more than 1.5 times their most recent annual grant remaining in the line of credit 60-days prior to the end of their program year. When the 60-day timeliness test was conducted on November 2, 2018, it was calculated that the City of Reading had a balance in its line of credit of 0.67 times its annual grant, which is in compliance with the timeliness standard. Please note that beginning in 2018, HUD began measuring grantee compliance with the CDBG timeliness standard using the adjusted for program income ratio.

During the 2018 program year, the city reports that it expended 75.91 percent of its CDBG funds for activities benefiting low- and moderate-income persons during the second year of the three-year certification period (Fiscal Years 2017, 2018, 2019), and 77.32 percent for FY 2017 and 2018 cumulatively, which meets the primary objective of the Housing and Community Development Act of 1974. In addition, the city obligated 12.93 percent on public service activities, which meets the 15 percent regulatory cap. Also, 17.66 percent of CDBG funds were obligated on planning and administration, which is within the 20 percent regulatory cap and in compliance with the *program year obligation* test at 24 CFR 570.200(g)(2).

The provision at 24 CFR 570.200(g)(1) requires that, for year 2015 and subsequent CDBG grants, a grantee may not expend more than 20 percent of any origin year grant for planning and program administrative costs. As a result, beginning with 2015 CDBG grants, grantees must ensure compliance with this new *origin year grant expenditure* test. In review of the city's origin year expenditures, HUD has determined that the city did not meet the origin year expenditure test for its 2017 grant – 21.10 percent of the grant was expended for planning and administrative costs, which is above the 20 percent cap. While this is a finding of non-compliance, due to lack of understating of the requirement at 24 CFR 570.200(g)(1), it is the first time the city had failed this test and the city has been in compliance with the obligation test as shown above. Therefore, HUD will allow the city to correct this deficiency one time only as follows:

As step one, the city must send repayment of $26,562.86 to its line of credit (via wire transfer.) The repayment must be specified to deposit in city's FY 2017 CDBG grant. For funds and deposit messages to be routed correctly and efficiently, all wire transfer messages should conform to the format described in the table below.

All wire transfers must be repaid through the participating jurisdiction's local financial institution and using Department of Treasury's Financial Communications System (TFCS). If the local financial institution is not a member of the TFCS, it must have a correspondent bank *relationship with a member bank that will transfer the funds by wire to the Treasury. The normal time span for processing funds repaid to the line of credit is 10 to 15 days.*

The following information is required to complete a wire transfer to HUD:

Bank	U.S. Treasury FRB New York
Bank Address	New York, NY
ABA Routing Number (Treasury Department Code)	021030004
Account Number agency Location Code)	86011101
Account Holder	U.S. Department of HUD (Ft. Worth, TX)
Memorandum/Third Party Information	Grantee Name: City of Reading; Grant Number: B-17-MC-42-0013; Attn: HUD CPD/CDBG; Memo: Dollar amount and reason for wire transfer.

As step two, upon deposit of $26,562.86 to the city's LOC, the city should follow the instructions at page 4-5 of the following memorandum https://files.hudexchange.info/resources/documents/Instructions-for-Returning-Funds-to-the-Line-of-Credit-And-to-Us-Treasury.pdf to credit returned funds to 2017 administrative and planning activities (IDIS activity ID 1807 and 1856), and reduce the administrative and planning costs for 2017 grant. The city is then permitted to draw administrative funds up to $26,562.86 from 1) program income on hand (See PR09 Report); and 2) Other program year planning and administrative activities where the city has not exceeded its program administration and planning cap both in terms of obligation and expenditure (grant year 2016 and 2018 CDBG funds). Upon drawdown of these funds, the city must make sure it meets the obligation test for program years 2016-2018 and expenditure test for origin grant year 2015 - 2018. The city must notify our Office once the transactions are completed, so tests can be re-run to confirm compliance. You will need to run a current PR26 – CDBG Activity Summary Report to determine the availability of program administration funds for the 2016 and 2018 CDBG funds.

Please note that if the city violates this provision again in the future, it will be required to repay the amount over the cap and use the repayment for other CDBG eligible activities. We recommend that the city periodically download PR26 by origin year and make sure Administration and Planning expenditures do not exceed 20% for grant year 2015 and forward.

In review of the city's other origin year expenditures, HUD has determined though not fully expended, currently the city has expended 17.13 percent of its 2016 grant and 5.36 percent of its 2018 grant on planning and program administrative costs. The city's final compliance with the 2016 and 2018 origin year expenditure tests will be assessed once the grants are fully expended. The city has expended 18.51 percent of its 2015 grant on planning and program administrative costs. Since the city has fully expended its 2015 CDBG grant, it is in compliance with the 20 percent grant year specific standard for that grant.

The city received $2,897,294 CDBG funds in 2018 and expended $1,774,913 for the following activities: 27 units of housing rehabilitation; 49 curb ramps; code enforcement activities; and community policing.

The city's HOME funds were used for acquisition and rehab of three homeownership units, rental development, as well as TBRA activities. A total of 19 households received TBRA assistance, one homeowner rehabilitation was completed; eight households received homeownership assistance; and two rental units were occupied. To date, the city met the HOME requirements for expenditure by committing all funds to projects within two years and expending funds within five years, as well as providing at least 15 percent of HOME funding to Community Housing Development Organizations (CHDO). We also remind the city that all HOME projects should be closed within 120 days of their final draw, and that it must continue to ensure meeting all HOME deadline requirements by reviewing the compliance reports on line.

The city also included in its CAPER its efforts to affirmatively furthering fair housing and identify impediments to fair housing. The city reported the following to affirmatively further fair housing: responding to walk-ins, telephone calls and initiated cases involving fair housing; making referrals and taking applications, as well as conducting outreach and education on fair housing issues. We commend you for these efforts.

Program participants are hereby reminded that the legal obligation to affirmatively further fair housing remains in effect, and the Department places a high priority upon the responsibility of program participants to ensure that their Analysis of Impediments (AI) serve as effective fair housing planning tools. The AI should continue to be updated in accordance with the HUD Fair Housing Planning Guide. Program participants that have not updated nor completed an AI upon submission of their 2015-2019 Consolidated Plan; have not undertaken meaningful actions to address identified impediments; nor maintained adequate records, may be subject to a compliance review. Should additional technical assistance be needed in updating or completing an analysis of impediments, program participants should work in tandem with the CPD representative and utilize HUDExchange.com to make requests.

Please note that the Office of Fair Housing and Equal Opportunity is available to provide technical assistance regarding affirmatively furthering fair housing upon your request. Should you have any questions, we encourage you to reach out to Melody Taylor, FHEO Regional Director, at (215) 861-7643, or by email at Melody.C.Taylor@hud.gov.

HUD acknowledges the City of Reading's CDBG, HOME and ESG accomplishments during the program year. Based on our review, we have concluded that the City of Reading has the capacity to carry out its programs and has met its reporting requirements.

We ask that you review our assessment of your performance and provide any comments that you may have within 35 days of the date of this letter. Upon receipt, we will evaluate your comments and make any revisions that are deemed appropriate. If you do not have any comments, we request that you formally notify us of that fact within the 35-day timeframe. Where no comments are received within the designated timeframe, our initial letter will serve as our final assessment of the city's performance for this program year. To facilitate and expedite citizen access to our performance letter, we request that you inform the general public and interested citizens' organizations and non-profit entities of its availability. If, for any reason, the city chooses not to do so, please be advised that our office is obligated to make the letter available to the public. We appreciate your cooperation in this matter.

We look forward to continuing to work with you and members of your staff to accomplish Departmental goals and mutual objectives to develop viable urban communities. We would also be pleased to provide you with any information on resources that may be available to your community. If you need assistance, or if you have any questions concerning the content of this letter, please contact Ms. Xiaomin Cai, Senior Community Planning and Development Representative, at (215) 861-7655. This office may be reached via text telephone (TTY), by dialing (800) 877-8339.

Sincerely,

Nadab O. Bynum
Director
Office of Community Planning
and Development