

HOUSING DEPARTMENT

June 3, 2016

William G. Vasquez, Director
U. S. Department of Housing and Urban Development
Office of Community Planning and Development
Los Angeles Field Office, Region IX
300 North Los Angeles Street, Suite 4054
Los Angeles, CA 90012

Re: City of Pasadena Response to HUD On-Site Monitoring Report

Dear Mr. Vasquez:

This is in response to the On-Site Monitoring Report, dated May 5, 2016, that was generated from the monitoring conducted by your staff during the period of March 28 through March 29, 2016 of the Community Development Block Grant (CDBG) and Continuum of Care (CoC) Programs administered by the City of Pasadena (City). The monitoring resulted in nine findings and two concerns, as described in the Report.

This letter provides the City response to each Finding and Concern, and the enclosed Binder contains documentation in support of the City responses.

FINDING 1 (CDBG): IDIS Activity 1345 failed to meet HUD's Lead Safe Housing Rule (LSHR) at 24 CFR Part 35, requirements for homeowner rehabilitation.

Corrective Action: The City must immediately cease obligating and/or commencing rehabilitation work on pre 1978 properties. Within 30 days of receipt of this letter, the City must implement the following steps before funding any additional pre 1978 projects under this program:

1. Develop and implement policies and procedures that reflect when and how compliance with the LSHR will occur, as well as who will be responsible for ensuring compliance.
2. Review all IDIS activities under rehabilitation program(s) over the last 5 years and create an inventory of all pre 1978 units assisted, listed by address.
3. The inventory shall identify the amount of rehabilitation assistance and a general scope of work.
4. Identify whether ANY painted surfaces were disturbed and for those that were, whether each was above the de-minimis amount (ref. § 35.350(d)).

Following submission of the policies and procedures and inventory data, HUD will work with the City to determine the appropriate response to each property to bring it into compliance with 24 CFR part 35, Subpart J. Such actions will include bringing projects into compliance through testing, mitigation and clearance of lead-based paint hazards in assisted properties.

City Response: *To address this finding, the City is going beyond the recommendations and has begun the process to conduct lead-based paint testing on all the properties identified on the above-noted inventory. The City has further addressed this finding by implementing corrective actions 1-4. The program guidelines for the housing rehabilitation program have been updated to reflect HUD's requirements regarding Lead Safe Housing Rule (see Binder, "Finding 1a").*

Additionally, the City has created an inventory log of all properties that received housing rehabilitation assistance in the past five program years (2011-2016). The inventory log identifies the property address, if the home was built prior to 1978, a general scope of work, if painted surfaces were above the de-minimis amount, and the associated labor and material cost (see Binder, "Finding 1b").

To prevent future occurrences, the City will maintain up-to-date copies of required certifications according to HUD regulations.

FINDING 2 (CDBG): IDIS Activity 1345 did not meet CDBG requirements for homeowner rehabilitation

Corrective Action: Prior to funding any new homeowner rehabilitation, the City must modify its program policies and procedures to address all deficiencies noted in this finding. The City's response must indicate where each deficiency above is addressed in its policies and procedures.

City Response: *This finding has been corrected. The City Response includes a copy of the revised program guidelines used for implementing the CDBG-funded housing rehabilitation program (See Binder, "Finding #2a"). The guidelines were revised to reflect a program name change, clarification on eligible program activities, clarification of the program purpose, and procedures for scope of work changes.*

To prevent future occurrences, the City has revised its program guidelines regarding client file maintenance to include documentation of inspections, work write-ups, cost estimates for reasonableness, contract/agreement with homeowner, and actual costs per property including materials and staff.

Corrective Action: In addition, the City must submit documentation that illustrates the following:

- The full amount drawn for IDIS activity 1345, including all staff and hard costs involved. The costs must be organized by each property assisted under the activity.

City Response: *The City has addressed this finding by providing a spreadsheet that identifies the full amount drawn for IDIS activity #1345, which includes all staff and hard costs. (See Binder, "Finding #2b").*

FINDING 3 (CDBG): The City’s tracking and documentation of staff costs paid with HUD-CPD funds does not meet Federal requirements.

Corrective Action: The City must submit documentation of a time and activity tracking system which meets the requirements described in this finding. The City must also submit a sample of time and activity documentation from the system and corresponding policies and procedures.

City Response: This finding has been corrected. The City Response includes a sample copy of the CDBG Activity Detail form (See Binder, “Finding #3a”), which will be utilized by the CDBG Administration project to capture activity details for all CDBG worked hours. The use of this form has been incorporated into CDBG Program Administration Guidelines (See binder, “Finding #3a”).

FINDING 4 (CoC): The City’s subrecipient termination policies and procedures did not meet HUD requirements

Corrective Action: The City must carry out a review of the termination policies and procedures for all of its subrecipients under its CoC program. For any procedures that do not meet HUD requirements as described above, the City must ensure that they are modified to come into compliance. In order to close this finding, the City must submit:

1. A list of all subrecipients funded under its CoC program.
2. The results of its review of all subrecipient termination policies and procedures; and
3. In the case where modified policies and procedures were required, a certification from all applicable subrecipients indicating that the modified procedures have been implemented.

City Response: This finding has been corrected. The City Response includes the below list of all subrecipients funded under the CoC program with the results of the review of program termination policies and procedures documented in the chart. The review included verifying that subrecipient termination policies and procedures ensured:

- Program participant’s receipt of written program rules and the termination process before the participant began to receive assistance; and
- Program participant’s receipt of written notice containing a clear statement of the reasons for termination
- A review of the decision, in which the program participant is given the opportunity to present written or oral objections before a person other than the person (or a subordinate of that person) who made or approved the termination decision; and
- The program participant’s receipt of prompt written notice of the final decision.

In cases where modified termination policies and procedures were required, a certification from the applicable subrecipient has been provided indicating that the modified procedures have been implemented. In addition, the City will conduct periodic training for sub-recipients to ensure that all CoC-funded agencies are aware of the most recent HUD requirements.

Subrecipient	Termination Policies & Procedures	Certification of Implementation
Affordable Housing Services	Reviewed and modified	Provided to subrecipient with due date of 6/9/16
Alliance for Housing & Healing	Reviewed – meets requirements	N/A
Door of Hope	Reviewed and modified	Signed and dated 5/31/16
Pacific Clinics	Reviewed and modified	Signed and dated 6/1 /16
Union Station Homeless Services	Reviewed – meets requirements	N/A

FINDING 5 (CoC): Participant leases did not meet minimum term requirements

Corrective Action: The City must carry out a review of lease terms for all of its rental assistance projects funded under its CoC program. For any projects that do not meet HUD requirements as described above, the City must ensure that they are modified to come into compliance. In order to close this finding, the City must submit:

1. A list of all rental assistance projects funded under its CoC program;
2. The results of its review of lease terms for all applicable projects
3. In the case where modified leases were required, a certification from all applicable subrecipients indicating that the modified leases have been executed; and
4. Certification from all applicable subrecipients that modified policies and procedures addressing lease terms as described in this finding have been implemented.

City Response: *This finding has been corrected. The City Response includes the below list of rental assistance projects as well as all other subrecipients funded under the CoC program with the results of the review of lease terms for applicable projects documented in the chart. The review included verifying that subrecipient lease terms:*

- *Had an initial term of at least one year and were terminable only for cause*
- *Leases were automatically renewable upon expiration for terms that are a minimum of one month long, except on prior notice by either party.*

In cases where modified leases were required, a certification from all applicable subrecipients indicating that the modified leases have been executed has been attached along with certifications from all applicable subrecipients that modified policies and procedures addressing lease terms as described in this finding have been implemented.

Subrecipient	Lease Terms	Certification of Implementation
Affordable Housing Services	Reviewed and modified	Provided to subrecipient with due date of 6/9/16
Alliance for Housing & Healing	Reviewed and modified	Signed and dated 5/31/16
Door of Hope (RRH)	Provided Lease Certification	Lease certification signed and dated 5/31/16
Pacific Clinics	Reviewed and Modified	Signed and dated 6/1/16
Union Station Homeless Services	Reviewed – meets requirements	N/A

FINDING 6 (CoC): The City did not always document the appropriate verification to show that participants had a disability. NOTE: This finding was closed prior to issuance of the monitoring letter.

Corrective Action: 24 CFR 576.500(b)(4)(iv) – For paragraph (3)(iv) of the homeless definition in §576.2, a written diagnosis is required from a professional who is licensed by the state to diagnose and treat that condition (or intake staff-recorded observation of disability that within 45 days of date of the application for assistance is confirmed by a professional who is licensed by the state to diagnose and treat that condition).

City Response: *As noted by the HUD monitors, the City had updated its policies and procedures prior to the monitoring visit, and disability verifications for new participants entering into CoC-funded programs are verified by*

qualified staff. The disability verification in question was from the file of a participant who entered the program in 2003.

FINDING 7 (CoC): Incorrect Utility Allowance Calculations

Corrective Action: The City must establish policies and procedures that immediately implement a utility allowance that only allows utility costs for electricity, fuel, water, sewer and trash. The City must review the current utility allowances and revise them to be in compliance with regulations. This utility allowance revision must then be applied to all current participants (with the appropriate rent change notice) and all participants going forward from the date of this monitoring report. The City must submit to HUD, the revised policy and procedures along with a certification from the authorized official stating that they have been implemented.

City Response: *The City believes this finding to be in error. In an email from Michael Kovalsky, HUD CPD Representative, to Anne Lansing, Project Planner, Mr. Kovalsky indicated that the City could delay responding to this finding while HUD gathers additional information. In the meantime, the City has provided HUD with the information (See binder, "Finding #7"), which we believe confirms that the City has been calculating utility allowances correctly for its CoC programs.*

FINDING 8 (CoC): The City did not meet CoC timeliness standards

Corrective Action: The City must establish and implement policies and procedures which address this requirement and ensure that the City draws on each of its grants at least once per quarter. The City must submit the policies and procedures along with a certification from the authorized official stating that they have been implemented.

City Response: *The City has established a new CoC Administrative & Financial Management Policies and Procedures which sets forth the requirements of 24 CFR 578.85(c)(3) (see binder, "Exhibit 8").*

FINDING 9 (CoC): The City did not collect all required certifications from its subrecipients

Corrective Action: The City must establish and implement policies and procedures which address this requirement. The City must submit the policies and procedures along with a certification that they have been implemented. In addition, the City must provide a list of all its CoC subrecipients and a copy of the signed certifications noted above for each subrecipient.

City Response: *This finding has been corrected. The City Response includes a new Certification Form signed by all CoC subrecipients that requires:*

- *The subrecipient maintains the confidentiality of records pertaining to any individual or family that is provided family violence prevention or treatment services through the project;*
- *The subrecipient establishes policies and practices that are consistent with, and do not restrict, the exercise of rights provided by Subtitle B of Title VII of the Act and other laws relating to the provision of educational and related services to individuals and families experiencing homelessness;*
- *The subrecipient, its officers, and employees are not debarred or suspended from doing business with the Federal Government; and*

- *The subrecipient will provide information, such as data and reports, as required by HUD.*

The City Response includes the below list of all CoC subrecipients with the dates of the Certifications documented in the chart.

Subrecipient	CoC Subrecipient Certification
Affordable Housing Services	Signed and dated 5/25/16
Alliance for Housing & Healing	Signed and dated 5/23/16
Door of Hope (RRH)	Signed and dated 5/23/16
Pacific Clinics	Signed and dated 5/23/16
Union Station Homeless Services	Signed and dated 5/19/16

CONCERN 1 (CDBG): The City’s policies and procedures did not fully address HUD requirements

Recommendation: The City should update its policies and procedures to include all applicable CDBG requirements including the sections described in the condition of this concern.

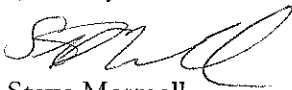
***City Response:** This concern has been corrected. The City Response includes a copy of the revised City of Pasadena CDBG Policies & Procedures used for managing CDBG subrecipients (See Binder, “Concern #1a”). The policies and procedures were revised to address all eligible CDBG activities, and describe the public benefit requirements for economic development. Language describing the presumed benefit categories for the LMC national objective has been identified within the document. The City Response also includes a copy of the revised CDBG Monitoring Guide used monitoring subrecipients (See binder, “Concern #1b”). The guide has been revised to identify exhibits utilized when monitoring CDBG activities.*

CONCERN 2 (CoC): The City did not ensure that all of its documentation and procedures for its CoC funded projects refer to the CoC program.

Recommendation: HUD recommends that the City revise its policies

***City Response:** This concern has been resolved. The City has updated all new documents utilized by legacy Shelter Plus Care program participants to reference HUD’s new name for the program, CoC Rental Assistance.*

Sincerely,



Steve Mermell
Interim City Manager

w/encl

- cc: William K. Huang, Director of Housing and Career Services
James Wong, Senior Project Manager
Anne Lansing, Project Planner
Randy Mabson, Program Coordinator
Robert Ridley, Controller