



U.S. Department of Housing and Urban Development

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New England

FEB 18 2015

Mr. Matthew Nemerson
Economic Development Administrator
City of New Haven
165 Church Street
New Haven, CT 06510

Dear Mr. Nemerson:

Thank you for your February 3, 2015 letter and submission in response to the HUD Hartford CPD Field Office December 10, 2014 Monitoring Report. The City of New Haven's submission addressed the four Findings from the April 2014 Monitoring. HUD thanks the City for submitting its response in such a timely manner. With this letter, three of the Findings are closed. The steps that still need to be taken by the City to close the one Finding that remains open are also summarized. For this final open Finding, please submit to this office the requested information within 30 days of the date of this letter.

Finding 1: General Management - Determination of Eligibility

An entitlement community must determine if an activity or project proposed for CDBG funding meets a National Objective of the CDBG Program, and that the activity is included in the delineation of eligible activities. A written and documented determination of eligibility is required for each activity and project awarded CDBG funds. It was evident that activities and projects proposed for PY2012 funding were scrutinized for compliance with CDBG regulations. However, the activity and project files did not document a formal, written determination of eligibility.

Corrective Action:

The City of New Haven must implement a procedure that will prevent the City from awarding CDBG funds for a proposed activity or project until a written determination of eligibility and compliance with CDBG National Objective and eligible activity requirements has been prepared.

Review of Corrective Action:

The City's February 3, 2015 submission included revised procedures for reviewing and documenting projects and programs for eligibility under the CDBG program regulations. The updated process includes the application review process; funding recommendation and approval; contract execution; administration; and monitoring and project oversight. As described, once completed applications are received by the City, there is a collaborative in-house review and evaluation process conducted by City staff from several departments. Applications are not only reviewed for completeness but are also evaluated for compliance with the local Consolidated Plan, CDBG national objectives and the CDBG regulations. In addition, the City has enhanced its eligibility determination by creating a checklist for each project. The checklist includes local requirements, regulatory citations and objectives. Upon completion of the checklist a written narrative is prepared to describe how the program meets or fails to meet eligibility criteria.

This Finding is closed.

Finding 2: Eligibility –Disposition Program, and Property Management Program

The accomplishment narrative in IDIS for activity 2557 lists the properties that were disposed of but did not indicate if the properties had been acquired or retained with CDBG funds for public purposes or acquired under urban renewal. The sum of \$383,000 in CDBG funds was awarded for this activity with \$376,698 allocated to salaries and benefits of five staff in the Corporation Counsel's Office.

The accomplishment narrative for activity 2558 provides a general description of the work completed on 126 properties (addresses not provided) but as with activity 2557, there is no indication that the properties were purchased or retained in the manner required by the regulations.

Corrective Action:

The City of New Haven must restore the City's local CDBG account with non-federal funds for charges to the CDBG Program for expenditures in IDIS activity 2558, Property Management - Public. Alternatively, if the properties assisted by the activities were actually acquired by New Haven through tax foreclosure, the City may use the In Rem activity eligibility category in place of the Disposition activity category. Specifically, this provision authorizes the use of CDBG for essential repairs and payment of operating expenses needed to maintain the habitability of housing units acquired through tax foreclosure proceedings in order to prevent abandonment and deterioration of such homes in primarily low- and moderate-income neighborhoods."

The City of New Haven must restore the City's local CDBG account with non-federal funds for charges to the CDBG Program for expenditures in IDIS activity 2557, LCI - Disposition. Alternately, the City may demonstrate how the funds disbursed for this activity were spent on eligible activities.

Review of Corrective Action:**Property Management #2558**

The City's February 3, 2015 submission reported that these properties were all acquired by the City through Tax Foreclosures. The maintenance of such City owned properties is an eligible CDBG Activity. However, this Activity, #2558, is reported as Matrix Code 02-Disposition, the correct Matrix Code is 19E-CDBG Operation and Repair of Foreclosed Property. Please correct this in IDIS.

This portion of the Finding remains Open.

Disposition #2557

The City's February 3, 2015 submission included documentation of the \$383,000 in Corporation Council staff costs, from Activity #2557, reported as Matrix Code 02, Disposition. The City asserts that these staff costs were expended on CDBG eligible activities; but, that they were erroneously reported as Disposition when the correct allocation was: 10% Disposition, 7% Acquisition, 6% Code enforcement, 75% Rehabilitation and Development, 1% Relocation and 1% Demolition. The documentation provided by the City did not include time allocations of the funded staff activities. The City must add time allocations to the table of staff actions. The City must also correctly allocate the costs reported as Disposition to a properly classified activity in IDIS.

This portion of the Finding remains Open.

Finding 3: Eligibility – Livable City Initiative Code Enforcement Program

In IDIS, the City states that activity 2572, LCI - Housing Code Enforcement, will "provide inspection, investigations and surveys of housing units for code violations and the condemnation of those dwellings found unfit for human occupancy." The accomplishment narrative in IDIS provides, "During the program year, LCI responded to 1,007 housing code complaints throughout the City. Of the 1,007 complaints, 760 received responses in the following areas: Newhallville 190, Fair Haven 260, Hill 310." A review of Housing Code Enforcement files confirms that the program is largely complaint driven rather than a proactive, coordinated activity to ameliorate identified conditions of deterioration in targeted areas. Moreover, available records were devoid of other required program elements (e.g., identification of public and private improvements expected to arrest deterioration in targeted areas).

Corrective Action:

The City of New Haven must restore the City's local CDBG account with non-federal funds for charges to the CDBG Program for expenditures in IDIS activity 2572, LCI - Housing Code Enforcement. Alternately, the City must document that the CDBG funded code enforcement activities are proactive and integral to a coordinated effort to arrest deterioration in the targeted areas.

Review of Corrective Action:

The City's February 3, 2015 submission included documentation that the CDBG funded code enforcement activities are proactive and integral to a coordinated effort to arrest deterioration in the targeted areas. The documentation, as requested, includes the following:

1. A description of the Code Enforcement Program,
2. A map of the designated code enforcement area(s),
3. Records showing that the program meets a national objective of the CDBG program,
4. Records designating the area(s) as deteriorated or deteriorating,
5. The criteria used by the City to define deteriorated or deteriorating,
6. A list of public and private investments in the area(s) that are expected to arrest the deterioration, and
7. A target date by which the City anticipates that public and private improvements are expected to arrest the decline of the area(s). Without a specific target date, the code enforcement activity is not eligible for CDBG funding because it is a regular function of government and as such, is prohibited by the regulations at 24 CFR 570.207, *Ineligible activities, (a)(2), General government expenses.*

This Finding is closed.

Finding 4: Eligibility – Livable City Initiative Emergency Repair Program and Livable City Initiative Property Management - Private

New Haven developed two activities in PY2012 that are categorized as providing interim assistance. Information in IDIS shows that activity 2562, Emergency Repair was developed “to correct any unsafe housing conditions which constitute an imminent and substantial danger to the welfare and safety of the occupants. Conditions include: lack of water, heat, electricity or gas services caused by faulty mechanical systems or property owners who are unable to carry out necessary code repairs.” The description for activity 2563, Property Management - Private states “privately owned abandoned residential and commercial properties are boarded up and/or cleaned, rodent and pest control is provided and if necessary, properties are fenced when a blighted condition exists.” HUD found that the Mayor of New Haven had not declared an emergency condition that threatened the public health and safety. Moreover, the work completed under Activity 2563, Property Management - Private, was not related to a threat to public health and safety. For these reasons IDIS activity # 2562, Emergency Repair and activity #2563, Property Management – Private, do not meet the requirements at 24 CFR 570.201, *Basic eligible activities, (f), Interim assistance.*

Corrective Action:

The City of New Haven must restore the City's local CDBG account with non-federal funds for charges to the CDBG Program for expenditures in IDIS activities #2562, Emergency Repair and #2563, Property Management - Private. The City must also provide City financial records documenting the restoration of its local CDBG account.

Review of Corrective Action:

The City's February 3, 2015 submission acceptably documented the restoration of \$82,919.51 to the City's local CDBG account.

This Finding is closed.

Again, thank you for the cooperation during monitoring and LCI's diligence in responding so quickly and thoroughly. Please feel free to contact me or Community Planning and Development Representative William Hodgdon at (860) 240-9701 if you have questions regarding the monitoring visit, the Findings, or the required corrective actions.

Sincerely,

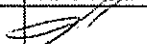
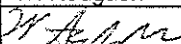


Alanna Kabel

Director

Community Planning and Development

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