

CITY OF MOUNT VERNON ASSESSMENT REPORT

EXECUTIVE SUMMARY

BACKGROUND

TDA Consulting was procured by the City of Mount Vernon Urban Renewal Agency (URA) to provide consulting services related to the administration and implementation of their CDBG and HOME programs. This included review of past projects, assistance with designing new projects and programs, and assessing the overall needs of the organization and the City's residents.

The majority of this work has been conducted remotely, with an onsite visit occurring in June 2018.

OVERALL ASSESSMENT

The Mount Vernon URA administers CDBG and HOME funds on behalf of the City of Mount Vernon. The leadership of the organization has changed almost annually since 2011 and this combined with reduced staffing created opportunities for program oversight to lapse, and for basic administrative responsibilities and compliance requirements to not be met, such as, failure to implement the program in a timely manner. Recent changes in both elected and staff leadership has created an opportunity to assess the current administration of the programs, as well as how well they are meeting the needs of the Mount Vernon community. This document is intended to be a summary, and it should be recognized that many of the items identified were being addressed through technical assistance during and following the assessment.

The assessment identified opportunities for improvement, particularly in the areas of program design and delivery, building capacity in the community for nonprofit partners to deliver programs, and building the capacity of the URA staff to effectively administer the programs and projects funded through HUD programs.

RECOMMENDATIONS

This section left intentionally blank subject to review with Mount Vernon URA staff.

ASSESSMENT REPORT

A. OVERVIEW

1. HUD FORMULA PROGRAMS ASSESSED (check as applicable)

X	CDBG
	CDBG- 108
	CDBG- Disaster Recovery
X	HOME
	ESG
	HOPWA

2. GRANTEE OVERVIEW

Overview: The City of Mount Vernon receives Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds from the U.S. Department of Housing and Urban Development. The City of Mount Vernon URA is responsible for the day to day administration of these funds, and for ensuring compliance with all federal requirements.

Over the last four years, the City has seen small fluctuations in its overall HUD funding, a positive change to years when funding dropped dramatically. In FY2018, the City will actually see a meaningful increase of more than \$300,000 across the two programs.

Program Year	CDBG	HOME
2015	\$1,542,765	\$359,518
2016	\$1,495,211	\$371,551
2017	\$1,435,516	\$355,206
2018	\$1,633,848	\$467,855

This assessment considers the ongoing changes in the organization and provides recommendations to take advantage of the opportunities that may exist as well as address general oversight concerns.

B. PROGRAM MANAGEMENT ASSESSMENT

3. PLANNING & COORDINATION

Overview: The City has delegated day to day oversight of these HUD funds to the URA. They in turn are responsible for the identification of unmet needs and development of strategies through the Consolidated Plan process.

Following the unmet needs data presented in the Consolidated Plan (the current plan is the 2015-2019 Consolidated Plan) the City releases an application for funding for CDBG funded programs. These

applications are then reviewed by staff for threshold requirements and funding recommendations are developed for consideration by City leadership.

During its onsite visit, TDA did review the application document as well as applications received in response to the opportunity. Through our review and conversations with team members, TDA noted the following:

- The level of detail provided in the applications varied widely, to the extent that in some applications it was difficult to draw conclusions about capacity, cost reasonableness and the community needs being met, including a determination of project eligibility for grant funding.
- There were certain types of activities (youth programs, food programs) where there were a significant number of applicants all interested in individual awards to carry out similar activities.

HOME funds are currently awarded through a separate process, and staff has been actively seeking partners who have the capacity to address the housing needs in the community. While there are immediate pressures to meet commitment timelines, the staff should take the opportunity of the upcoming Consolidated Plan process to redefine priorities and strategies, and to maximize the conversations with stakeholders and potential partners to build a framework for future funding.

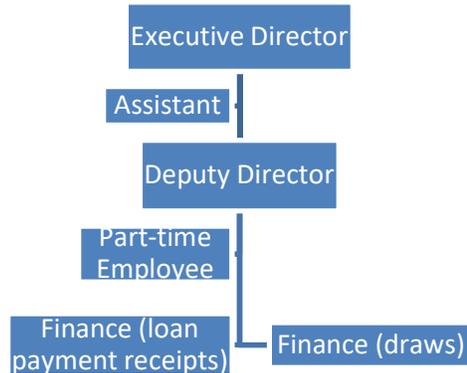
Recommendations:

- This was the first funding round carried out by the new team, and there was obvious time pressure to move the process forward. To improve responses, TDA would recommend that as part of the next funding round, the URA strengthen its annual pre-application workshop, and perhaps even make it mandatory to attend in order to apply. Better information will lead to stronger contracting and an increased ability to provide accurate and timely information to HUD through IDIS. (In addition, the City can incorporate procedures recently drafted for determination of eligibility of CDBG funded requests.)
- The new team proposed to reduce the overall number of contracts by funding a “lead agency” for youth programs and food programs, who could then provide subawards to the many providers and provide oversight and support while still serving the needs of the community. TDA would recommend that prior to the next funding round, the URA seek feedback from the “lead agencies” as well as the subawardees to understand how this approach worked operationally, and any considerations for future funding.
- The City is due for a new Consolidated Plan, and this process will begin in 2019. We recommend that the City utilize this process to not only define priorities and strategies, but also to create a funding framework that is consistent and administratively feasible for the small staff to effectively manage. (This could include focusing on certain priorities, reducing the number of agencies that are funded and further limiting the geography that can be served; thereby, enabling public service delivery to become more impactful and less of an administrative burden.)

4. MANAGEMENT & STAFFING

Overview: The URA has seen complete staff turnover at the leadership level, with both the Executive Director and Deputy Director being new to the URA. The URA Executive Director and Deputy Director also serve as the Planning & Community Development Department’s Commissioner and Deputy Commissioner, respectively. These have traditionally been dual roles. There has been a significant amount of turn over including at least 6 different Commissioners and/or Deputies since 2011. This constant turnover, in an organization with minimal staffing on the HUD program side, led to serious compliance issues, including in 2018 not having had a complete and acceptable annual report submitted to HUD since 2011. As a result, the new leadership is having to split their time and attention between cleaning up prior issues and being able to redesign and implement effective programs and partnerships moving forward. In

addition to the Executive Director and Deputy Director, there is a part-time employee who is working with them on IDIS related items, such as closing out old activities, cleaning up data, and submitting the past due reports to HUD. The Deputy Director also has two direct reports for these programs, one focused on the loan portfolio and the second assigned to work in IDIS to create draws once invoices are approved. There are no program staff outside of the Deputy Director and as a result she is actively working to develop partnerships with community organizations on both the housing and service side who can deliver the programs that the community needs.



Recommendations:

- The URA needs to develop a staffing strategy that recognizes the opportunities for partnership, but also takes into account the need for many potential partners to build their capacity in order to be responsive. It is expected that in the next 12 months the clean-up currently being carried out by the part-time employee will be complete. TDA recommends that that role be transitioned to a program support role that can assist the Deputy Director in overseeing the programs, conducting monitoring and providing capacity building to the City’s program partners.
- The URA also needs to create a new position of Community Development Specialist, define its duties to cover program administration and compliance and make it accountable to the Deputy Director. Additionally, it should consider adding an accountant and bookkeeper to assist with grants planning and management. These additional positions are necessary to free the Deputy Director to oversee planning functions, including preparation of the new Consolidated Plan due November 2019.
- The URA currently reviews and processes invoices, creates vouchers in IDIS and submits them for payment. The funds drawn go to the City account, who then has to reimburse the URA for expenses. Given the role of the City, TDA would recommend that the City and URA look at how duties are currently assigned and what staff support the City Finance team might be able to provide, including potentially including them in MUNIS. As an alternative, the URA may determine that it has the financial resources to hire a team member with a finance and accounting background to provide oversight for the financial processes.

5. PROGRAM ADMINISTRATION

Overview: The program is currently administered by the Deputy Director, with the assistance noted above from the part-time employee and two finance-related team members. This level of staffing is not in line with a strong oversight and program support model, and the limitations have had negative results for the URA in the recent past. The timeliness issues around commitments and expenditures, late and missing reports, lack of financial reconciliation and lack of monitoring are reflective of both knowledge gaps in prior staffing but also the realities of limited staffing. As described in the prior section, a new Community

Development Specialist would take on primary program administration functions. While the new Executive Director, Deputy Director, and part-time employee are all committed to the programs and the community, the limited number of hours in a day mean that even once all of the cleanup is completed, maintaining a strong level of oversight and partnership on a consistent basis will be difficult. While the Deputy Director has been making significant progress in expanding partnerships for program delivery, the responsibility for oversight of those partners and their activities will still ultimately fall back on the URA. If the new position is created, the Community Development Specialist would build upon that recent progress and ensure more effective program administration.

Recommendations:

- The URA needs to develop a staffing strategy that clearly identifies all of the necessary components of program administration, management and compliance, and provides a realistic approach to ensuring that the minimum requirements are met.
- The URA should develop policies and processes for grant management in keeping with the strategy developed above (and for financial management, as described under Financial and Grants Management) and with the addition of the noted staffing changes.

6. PROGRAM DESIGN/POLICIES & PROCEDURES

Overview: The City uses its CDBG funds in three primary ways – public services (up to the 15% cap), economic development/job training activities, and infrastructure projects. The City uses its CDBG funds in three primary ways – public services (up to the 15% cap), economic development/job training activities, and infrastructure projects. Each of these is funded through an application process, and the City uses the Consolidated Plan and Annual Action Plan to guide this process. The City receives requests far in excess of their available resources, and from many small organizations that may or may not have the administrative capacity to effectively administer federal funds. To address this, staff for this funding round has identified “lead agencies” in the youth and food program areas, and this approach if successful will need to be built out through policy and updated program guidelines.

The City had traditionally used HOME funds (sometimes in combination with CDBG) to fund multifamily projects brought to the City by developers. Recently, the City had temporarily stopped committing HUD funds in order to be able to get a handle on prior projects, and to determine ways to identify the highest and best use of these funds in keeping with the HOME Final Rule. The City has developed general guidelines and applications for new HOME programs as they have been identifying partners to work with to meet these needs.

While the small staff has, in some instances through sheer will, improved spending commitments and expenditures, the current pressures reduce the opportunities for global strategic thinking and design. The needs of the community are so broad that essentially any eligible activity will have a positive impact on the community, but opportunities for targeting and leveraging resources should be part of the next phase of design. The upcoming Consolidated Plan process provides an opportunity to look more broadly at needs and strategies, and to design programs and funding guidelines that maximize resources and are also administratively efficient.

Recommendations:

- As the City is currently in a transition in their funding approach, they can use their evaluation process to identify successes and translate them into policy and funding guidelines for moving forward. It is recommended that the City use the Consolidated Plan process to clarify goals and strategies for public services, infrastructure and economic development programs.

- If the “lead agency” model proves successful, the City should consider a similar approach for the many job training/business assistance programs proposed for funding under CDBG. There is no question that economic development is a need at the individual and business level. However, given how challenging it can be to document successes, it may be in the City’s interest to identify a strong partner in this arena who can support their peer organizations in these efforts.
- The City is challenged in using its HOME program funds by the limited capacity of potential nonprofit partners. Given the significant needs of the community, it is recommended that the City create a housing policy framework that will assist staff, and potential developer partners, in understanding and implementing the priorities and expectations of the City. This framework would then allow the City to develop strong funding guidelines for each type of program and project.

7. UNDERWRITING AND PROJECT SELECTION

Overview: The projects reviewed under CDBG were not underwritten prior to selection. However, most of these in 2018 are capital projects. The City did create and utilize a scoring sheet for CDBG applications which TDA reviewed and provided comments on. Moving forward this can be reviewed and strengthened as the new leadership is able to administer a full funding cycle.

The City is just beginning to work on identifying new HOME projects, which will require full underwriting. There is not a strong existing process, which is largely why the new team initially put funding new HOME activities on hold. While the current potential projects are being reviewed as they come in, the City will benefit from the ability to develop a standard underwriting approach which is both HOME compliant but also promotes the types of projects that meet the priorities of the City and community. Staff capacity does not exist to perform this function.

Recommendations:

- The City should update its CDBG application process to reflect lessons learned, the new “lead agency” model and scoring the promotes the priorities of the City.
- The City also needs to revise its strategy for use of HOME funds. In conjunction with that strategy would be the creation of a new housing policy framework that identifies the types of projects to be funded, and creates a written underwriting policy and process that supports those goals.
- The City should consider outsourcing the underwriting function.

8. FINANCIAL AND GRANTS MANAGEMENT

Overview: Given the lack of consistent leadership, it is not surprising that many basic requirements of financial and grants management were not carried out. Unfortunately, it has left the new team with years’ worth of backlog to clean up in order to be able to understand the current status of the programs and be able to move forward. HUD recently notified the City that it is not in compliance with timely expenditure requirements of the CDBG program. The City has drawn down CDBG grant resources so slowly it has accumulated a balance of unspent grant funding in excess of the 1.5 times its current grant amount. If not corrected, this slow spending pattern will trigger grant sanctions in FY 2019. Under the HOME program, the City has not expended certain 2011 funds, which have been de-obligated, and others that are at risk of expiring.

While the City operates on MUNIS, the URA currently keeps its books on QuickBooks, and generates reports as needed. Because the City is the legal recipient of the HUD funds, this means that City MUNIS,

URA QuickBooks, and IDIS all have to be reconciled against each other. As of this assessment, this had not been done since 2013, and the City had an accountant on loan to the URA who was undertaking this task. As part of this process, it is hoped that the process for reconciliation will be documented so that existing staff will be able to carry out this important requirement moving forward.

Recommendations:

- TDA recommends that the URA reprogram funding for more timely expenditure (through a substantial amendment) and prepare a work out plan to implement the program in a more timely manner. Also, TDA recommends that the URA undertake a thorough update of the Accounting and Policy Manual, reviewing both policies and the associated job descriptions to ensure that they remain relevant in the current structure and that they factor in the reconciliation process.

9. REPORTING AND MONITORING

Overview: As has been noted in other sections, the URA is currently coming into compliance with HUD reporting requirements, submitting CAPER reports for 2011 forward. One key delay in their ability to get this done has been the lack of required data in IDIS. As a result, the part-time employee has had to review each activity, collect and reconcile financial and beneficiary data and close them out before being able to generate the reports. Moving forward, the staffing strategy will need to identify who will be responsible for the ongoing data collection and reporting so that annual reports can be generated in a timely manner.

In line with reporting challenges, the staff does not have the human capital capacity to effectively monitor both their subrecipients and projects. 2CFR Part 200 requires a risk assessment be done at time of award and implementing this in the next cycle will assist the City in building out a monitoring plan that factors in risk and staff capacity.

Recommendations:

- TDA recommends that data collection from subrecipients and contractors be built into grants management process so that updates in IDIS can be done on an ongoing basis, reducing the end of year level of effort needed to produce a complete CAPER report.
- TDA recommends that a single monitoring plan be developed that would include monitoring of HUD-funded projects both during execution as well as during any follow-on compliance period. Based on this plan, strategic decisions around staffing and oversight of this role could be made. In addition, this would entail compliance training for staff.

10. ONGOING LOAN PORTFOLIO MANAGEMENT

Overview

During the assessment, TDA reviewed with staff and counsel a list of “uncollectable” loans amounting to more than \$5.5M. In meeting with the staff responsible for managing the portfolio, it was learned that nearly all borrowers stopped making payments in 2013, and that as of the assessment only one borrower was currently making payments. The Executive Director and Deputy Director were having difficulty establishing the status of the loans, as many files were missing, had little paperwork or did not show any record of payments. This presents a very serious deficiency that raises the specter of not only non-

compliance and repayment of mis-appropriated grant funds, but also significant financial liabilities for the City (potential payback with City funds.)

Further complicating the collection is that the written agreements and loan documents, when available, were not written in a way to make recourse easily available to the City, even if they wanted to take the politically difficult path of pursuing individual homeowners.

The City had made the decision to pursue the two largest borrowers, which on their own accounted for a little more than \$4M of the \$5.5 outstanding. TDA reviewed the documents available related to these transactions, and provided information and recommendations related to recourse and necessary steps for those projects to come into compliance.

Recommendation:

- The City should implement the recapture policy that was developed in coordination with TDA and create a standard and documented process for ensuring recordation of notes and affordability covenants in a way that provides stronger recourse.
- The City should continue to work to resolve the status of the projects with outstanding loans and make determinations on how these will be cleared from the books if they are to be considered uncollectable.
- The City should consider how they want to manage their loan portfolio moving forward, and either outsource (if payments will be sufficient to cover the cost) or purchase and implement loan servicing software around which a process can be created to ensure source documents are retained and payments are more easily tracked. Software would also be able to automate tasks such as invoicing and annual affordability compliance communications.

C. SIGNATURE

SIGNATURE:

Assessment Team Leader Signature 	DATE

D. APPENDIX

ASSESSMENT TEAM MEMBERS

1. Dionne Roberts
2. Stephen Lathom
3. Randall Mullen

DOCUMENT(S) REVIEWED

1. 2015-2019 Consolidated Plan
2. 2016 Action Plan
3. 2017 Draft Action Plan
4. 2018 Applications for CDBG Funds
5. 2018 CDBG Application Scoring Sheet
6. List of Current Projects in IDIS and status
7. Habitat for Humanity SNAP Program Guidelines and Application
8. ACE Project <ul style="list-style-type: none"> ○ Draft contract agreement ○ ACE CHDO Documentation submission
9. Mount Vernon HOME Residential Rehab Program Guidelines and application
10. HOME Commitment Chart
11. Affirmative Fair Housing Marketing Plan and Minority Outreach Program Plan
12. Draft CAPER Reports <ul style="list-style-type: none"> ○ 2011 ○ 2012 ○ 2013 ○ 2014 ○ 2015
13. 2017 Public Services Agreement with Community Services Associates
14. Public Notice of Public Hearing for 2018 Proposed Budget
15. 2018 Substantial Amendment
16. HOME Recapture Policy
17. Uncollectable Loans Chart
18. Titus Project Documents <ul style="list-style-type: none"> ○ HOME Loan Agreement ○ Mortgage ○ Note
19. LaPorte Project Documents <ul style="list-style-type: none"> ○ Filing submitted in the State of New York by Acocella Law Group, PC ○ Letter from Acocella Law Group, PC to Atlantic Development Group dated October 27, 2017 ○ Letter from Acocella Law Group, PC to Blue Rio dated October 27, 2017 ○ Letter from Acocella Law Group, PC to Blue Rio dated November 1, 2017 ○ Written Agreement between the City of Mount Vernon URA and Atlantic Development Corporation dated October 31, 2013 ○ Amendment to Written Agreement between the City of Mount Vernon URA and Atlantic Development Corporation dated November 13, 2014 ○ Mortgage Note for Atlantic Development Corporation project to Mount Vernon URA dated December 1, 2013 ○ Amended Mortgage Note for Atlantic Development Corporation project to Mount Vernon URA dated November 13, 2014

- Written Agreement between the City of Mount Vernon URA and Blue Rio LLC dated November 13, 2014
- Mortgage Note for Blue Rio LLC project to Mount Vernon URA dated November 13, 2014
- City of Mount Vernon Funding Resolution 2011-07
- City of Mount Vernon Funding Resolution 2013-17

INTERVIEWS CONDUCTED

<i>Full Name</i>	<i>Position</i>	<i>Responsibilities/Role</i>
Sylvia Bolivar	Deputy Commissioner/URA Deputy Director	Overall oversight and management of HOME and CDBG programs
Chantelle Okarter	Commissioner/URA Executive Director	Overall oversight and management of all activities of the URA
Frank Acocella	Legal Counsel	Retained counsel representing City in filings against past developers
Marlene Dandridge	Account Manager	Loan portfolio management; receipting program income payments and tracking compliance; entry and reports in QuickBooks
Melinda Williamson	Finance Deputy Commissioner	Oversees invoice process; creates draws in IDIS
Elaine Plunkett Wisdom	City Accountant	On special assignment to reconcile QuickBooks, IDIS and MUNIS and ensure all entries are categorized correctly.