



U. S. Department of Housing and Urban Development

Knoxville Field Office, Region IV
John J. Duncan Federal Building
710 Locust Street, Suite 300
Knoxville, Tennessee 37902-2526

October 22, 2018

Ralph M. Perrey, Executive Director
Tennessee Housing Development Agency
Andrew Jackson Building, Third Floor
502 Deaderick Street
Nashville, TN 37243

Dear Mr. Perrey:

**SUBJECT: Annual Performance Assessment Letter and Report
State of Tennessee, Program Year 2017: July 1, 2017 – June 30, 2018**

The Office of Community Planning and Development (CPD) is required to assess the performance of each of its grant recipients at least annually. The review is the result of an ongoing process that assesses the quality of a grantee's performance over a period of time involving continuous communication and evaluation. As the lead agency for the State's Consolidated Planning Programs, this assessment letter and report are being transmitted to your Office.

In conducting this assessment pursuant to Section 91.525, this Office assessed whether the State of Tennessee's management of its program funds is in compliance with the U. S. Department of Housing and Urban Development's (HUD) approved consolidated plan and its regulations. The scope of this analysis includes a review of the Consolidated Annual Performance and Evaluation Report (CAPER) for the past program year, as well as information obtained through CPD's program and fiscal compliance reviews, including monitoring and audits. Also, this Office assessed whether progress has been made towards the regulatory goals identified in Section 91.1 of the consolidated plan regulations. In addition, the assessment included a review of your jurisdiction's efforts to ensure that housing assisted under our programs is in compliance with contractual agreements and requirements of law. During this assessment, progress under the Consolidated Planning Programs was reviewed, along with any open Neighborhood Stabilization Program, Community Development Block Grant – Disaster Recovery, and Continuum of Care grants awarded in jurisdiction. In addition, any CPD -administered grants and initiatives were also reviewed. The CAPER was shared with the Knoxville and Nashville Field Directors' Offices and the other HUD program offices for review and comments. No comments were received. The CAPER was found acceptable and approved.

In addition to meeting the mandates of the statutes, the Office of Community Planning and Development (CPD), in consultation with the Offices of Public Housing, Multifamily Housing, Single Family Housing, Chief Counsel, Fair Housing and Equal Opportunity and the Field Office Directors, completed this assessment, which provides a basis for the State of Tennessee and HUD to work together collaboratively in achieving housing and community development goals.

We congratulate the State of Tennessee and the lead agency for the Consolidated Planning Programs, Tennessee Housing Development Agency, on the accomplishments toward implementing programs and policies, which carried out the strategies, as outlined in the 2015 Consolidated Plan. The submitted CAPER covered the period of July 1, 2017, through June 30, 2018. Using the "e ConPlanning Suite," the Program Year 2017 Consolidated Annual Action Plan was submitted and approved by this Office.

During the 2017 Program Year, the State implemented many worthwhile activities and programs and expended funds in a timely manner. Based on the risk analysis review conducted by CPD, the State was monitored during the Program Year. Sixty days prior to the end of the 2017 Program Year, May 2, 2018, a total of \$21,204,070.93 in program years of Community Development Block Grant (CDBG) funds remained in the grantee's line of credit which met the timely use of funds test as required by 24 CFR 570.902. The State continues to commit and expend Emergency Solutions Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) funds in a timely manner. In addition, the expenditure and commitment deadlines under the Home Investment Partnerships (HOME) Program were met. The State is the recipient of a National Disaster Resiliency grant in the amount of \$44,502,374. The State has several projects that are in various stages of completion and should meet all expenditure requirements.

In the review of the CAPER, the information entered in Integrated Disbursement Information System (IDIS), HUD Program Offices comments, and CPD staff discussions/knowledge of the jurisdiction's activities during the 2017 Program Year, the State is recognized for a number of noteworthy accomplishments including the following:

1. Low- and Moderate-Income (LMI) Benefit. The CAPER indicated that 97.28 percent of the CDBG funds expended during the reporting period benefited LMI persons either through direct benefit activities or activities benefiting low/mod areas.
2. Affordable Housing Initiatives. Over 2017, the Emergency Repair Program helped 301 elderly and/or disabled homeowners with critical home repairs and 136 homes were provided ramps and modifications based on disability needs. The Challenge Grant Program critically improved 235 units and 32 homes were bought by low-income homebuyers through the State's Trust Fund support of Habitat for Humanity.
3. Assistance to the homeless. To help homeless persons make the transition to permanent housing and independent living, ESG grantees provided financial assistance for moving costs, security deposits for rental or utilities, rental arrearage up to six months, and short-term or medium-term rental and/or utility assistance.

Based on this analysis, this Office has determined that the State of Tennessee's overall progress is satisfactory. The activities undertaken are consistent with the HUD-approved Consolidated Plan. The State has the continuing capacity to administer the Consolidated Planning programs. As the State goes forward with its housing and community development activities, it is encouraged to pay close attention to the following:

1. **Timely Reporting in the IDIS.** Frequent reporting in IDIS is crucial to providing the most accurate data on how funds are being used. Although the quarterly entering of data into IDIS is recommended, more frequent reporting is preferred.
2. **Keeping Grantee User IDIS Accounts Active.** Grantee user IDIS on-line password expires every 90 days; so to ensure access users are advised to use IDIS at least twice a month. Users who do not use IDIS within a 90-day period will find their accounts are de-activated. If an user ID has been de-activated, the user will not be able to access IDIS. Grantee users who wish to renew a lapsed ID must re-submit an IDIS Access Request Form to Knoxville CPD.
3. **Grant Based Accounting.** HUD has updated IDIS to phase out the first-in-first-out (FIFO) accounting methodology. These changes to IDIS ensure that funds are both committed and disbursed in IDIS on a grant-specific basis, instead of using the FIFO (oldest money disbursed first) method that has been used for the CDBG, HOME, and HOPWA Programs to date. Grant funds are already committed and disbursed in IDIS on a grant-specific basis for the ESG Program. For the other formula programs, the initial changes in IDIS implement grant-specific accounting beginning with FY 2015 formula allocations. With these changes, IDIS will specifically tie activity funding/commitment and draws to the specific grants in IDIS. Funds from pre-2015 grants will continue to be committed and disbursed using the FIFO method.
4. **Commitments and Expenditures.** Just a reminder that overcommitting funds to an activity may result in not meeting expenditures and timeliness requirements. Please pay close attention to committing and obligating funds for activities. Once a decision is made that excess funds have been allocated, please consider allocating the funds for other essential activities which can assist your jurisdiction in expending the funds in a timely manner to meet expenditure and timeliness deadlines. Also, pay close attention to whether a substantial amendment may be required.
5. **Technical Assistance Requests.** Technical assistance is available for grantees to implement, operate, or administer CPD-funded program. To make the TA request contact Knoxville CPD or go to the below website:

<https://www.hudexchange.info/program-support/technical-assistance/Implementation>


In accordance with 24 CFR Section 91.525, if you have comments regarding this and enclosed report, please submit them to this Office within 30 days of receipt of this letter. HUD may revise the report after considering your response. If we do not receive comments within the 30-day time period, this report will be considered final and can be made available to the public.

May we take this opportunity to remind you that the Minority Business Enterprise (MBE) Report is due each year within 10 days of September 30th. That information should be submitted to this Office. Also, as a reminder, the Section 3 report (Form HUD 60002) is due that same time as the CAPER, 90 days after the end of program year and is required to be entered into the Section 3 Performance Evaluation and Registry System (SPEARS) at the below website:

<http://portal.hud.gov/hudportal/documents/huddoc?id=spearsuserregguide.pdf>

We continue to appreciate the positive working relationship that you and your staff maintain with this CPD Office. We look forward to continuing to support your jurisdiction's efforts meeting the goals in the Consolidated Plan, including assisting your residents with housing and other community development needs. If you have any questions with respect to the enclosed comments or need technical assistance, please do not hesitate to contact Calvin Whitaker, Senior CPD Representative at (865) 474- 8226 or me at (865) 474-8225.

Very sincerely yours,



Mary C. Wilson, Director
Office of Community Planning
and Development

Enclosure

cc

Honorable Bill Haslam, Governor
Mr. Don Watts, THDA
Commissioner Bob Rolfe, ECD
Commissioner John Dreyzehner, MD MPH
TDH

Ms. Bettie Tealsey, THDA
Mr. Kent Archer, ECD
Ms. Brooxie Carlton, ECD
Ms. Trang Wadsworth, TDH