



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

December 14, 2016

Lorrie Shearon
 To: Don Watt

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

Dear Mr. Perrey:

SUBJECT: Annual Performance Assessment Letter and Report
 State of Tennessee
 Program Year 2015: July 1, 2015, to June 30, 2016

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.

In conducting this assessment pursuant to Section 91.525, this Office assessed whether the State'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 program 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.

The CAPER was distributed to the Nashville Field Office Director's Office and other program offices for review/comments to include the Office of Fair Housing and Equal Opportunity (FHEO). FHEO responded with no comments and recommended approval of the State's CAPER. Based on the analysis of the submitted CAPER, it was observed that the State failed to provide to this Office all of the required Emergency Solutions Grant (ESG) data as prescribed by HUD and a concern was sent under separate correspondence. THDA is currently in the process of collecting the required data from its subrecipients. In addition, a finding was issued under separate cover as well regarding the State missing the ESG deadline for expenditures for program years 2012, 2013, and 2014. The State is required to submit a workout plan to have the ESG funds reprogrammed and expended by July 25, 2017. Nevertheless, the State of Tennessee's overall progress is acceptable. The activities undertaken are consistent with the HUD-approved Consolidated Plan and appear to be carried out in accordance with program requirements. The State has the continuing capacity to administer applicable CPD programs/housing initiatives. The Assessment Report of the State's progress is enclosed.

In accordance with 24 CFR Section 91.525, if you have comments regarding this 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. Also, as a reminder, the Section 3 report is due the same time as the CAPER, 90 days after the end of program year. Please check and verify the receipt of Section 3 reports (Form HUD 60002) in the Section 3 Performance Evaluation and Registry System (SPEARS) for program years 2013, 2014 and 2015. The SPEARS User Registration Guide can be found at:

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


We also request your continued efforts to expend grant funds and enter progress and accomplishments data in a frequent and timely manner. Also, the Department will continue to provide a range of training opportunities on Affirmatively Furthering Fair Housing (AFFH) and its requirements. A number of resources on AFFH and the Final Rule can be found at:

https://www.huduser.gov/portal/affht_pt.html

We continue to appreciate the positive working relationship that you and the State of Tennessee's 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. In addition, this Office also looks forward to assisting the State of Tennessee as it begins to administer the National Disaster Resilience (NDR) grant and Housing Trust Fund which were awarded to the State of Tennessee during the program year in the amounts of \$60,445,163 and \$3,000,000, respectively. The grant agreement process is forthcoming for both of these grants.

If you have any questions with respect to the enclosed comments or need technical assistance, please do not hesitate to contact me at (865) 474-8225.

Very sincerely yours,


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

Enclosure

cc:

Honorable Bill Haslam, Governor, State of Tennessee
Randy Boyd, Commissioner, ECD

Bettie Teasley, THDA
Shanell L. McGoy, Ph.D., M.P.H., TDOH

**Annual Performance Assessment
State of Tennessee
Program Year 2015**

Consolidated Annual Performance and Evaluation Report (CAPER)

Program Year End: June 30, 2016
Report Due: September 30, 2016
Report Received: September 19, 2016

Funding Covered by CAPER:

Community Development Block Grant (CDBG):	\$24,701,167
HOME Investment Partnerships Program: (HOME):	\$ 8,984,790
Emergency Solutions Grant (ESG):	\$ 2,984,182
Housing Opportunities for Persons with AIDS (HOPWA):	\$ 942,955
Community Development Block Grant Disaster Recovery (CDBG-DR):	\$92,517,890
Community Development Block Grant Disaster Recovery (CDBG-DR):	\$30,906,517
Community Development Block Grant Disaster Recovery (CDBG-DR):	\$13,810,000
Neighborhood Stabilization Program 1 – (NSP 1):	\$49,360,421
NSP 3:	\$ 5,000,000

Summary of Program Compliance

CDBG Program

- State CDBG Timely Distribution of Funds: Acceptable (100 percent obligated and announced at 15 months).

Compliance Date: 11/04/16 (Date signed by Governor plus 15 months)

The CAPER indicated that 98.3 percent of the CDBG funds expended during the reporting period benefited LMI persons either through direct benefit activities or activities benefiting low/mod areas.

HOME Program

- HOME 2014 Commitments [24 CFR 92.500(d)(1)(B)]: Acceptable

2015 HOME Allocation: \$276,826
Expenditure Deadline: 7/31/2016
Expenditure Requirement: \$333,521,719
Amount Expended: \$338,577,633

- HOME 2011 Expenditures [24 CFR 92.500(d)(1)(C)]: Acceptable

2015 HOME Allocation: \$8,984,790
 Expenditure Deadline: 06/30/2016
 Expenditure Requirement: \$304,026,274
 Amount Expended: \$310,889,024

- HOME PJs Open Activities [24 CFR 92.502(d)(1)]: Acceptable

Number of open activities exceeding standard: 0

- HOME Match [24 CFR 92.218(a)]: To be submitted by December 31, 2016

ESG Program

Expenditures [24 CFR 576.203(b)]: Unacceptable for Program Years 2012, 2013 and 2014. A finding has been made on the State's failing to comply with the expenditure deadlines for PYs 2012, 2013 and 2014. The State will be allowed to submit a workout plan to reprogram and expend funds for eligible activities.

2012 ESG Allocation: \$2,756,409
 Expenditure Deadline: 08/17/2014
 Amount Expended: \$2,738,040.89
 Remaining Balance: \$18,368.11

2013 ESG Allocation: \$2,226,946
 Expenditure Deadline: 08/09/2015
 Amount Expended: \$2,105,900.29
 Remaining Balance: \$121,045.71

2014 ESG Allocation: \$2,734,930
 Expenditure Deadline: 07/25/2016
 Amount Expended: \$2,738,040.89
 Remaining Balance: \$25,834.99

2015 ESG Allocation: \$2,948,182
 Expenditure Deadline: 8/04/2017
 Amount Expended: \$1,834,585.51
 Remaining Balance: \$1,113,596.49

HOPWA

HOPWA Expenditures [24 CFR 574.540]: Acceptable

2013 HOPWA Allocation: \$902,360
 Expenditure Deadline: 08/09/15
 Amount Expended: \$902,360
 Remaining Balance: \$0

2014 HOPWA Allocation: \$939,055
 Expenditure Deadline: 07/25/2016
 Amount Expended: \$939,055
 Remaining Balance: \$0

2015 HOPWA Allocation: \$942,955
 Expenditure Deadline: 08/04/2017
 Amount Expended: \$0
 Remaining Balance: \$942,955

CONTINUUM OF CARE

Amount awarded throughout the State of Tennessee in 2015: \$20,390,357 (10 Continuums). The competitive funding for renewals and new projects will provide needed permanent and transitional housing for the homeless and provide essential supportive services to assist the homeless in reaching self-sufficiency.

Neighborhood Stabilization Program (NSP) 1 (B-08-DN-47-0001)

Amount Awarded: \$49,360,421.00
 Amount Expended: \$48,650,137.78
 Program Income: \$2,350,582.74
 Balance: \$3,060,865.96
 Percent of Grant Disbursed: 98.63%

NSP 3 (B-11-DN-47-0001)

Amount Awarded: \$5,000,000.00
 Amount Expended: \$5,000,000.00
 Program Income: \$0
 Balance: \$0
 Percent of Grant Disbursed: 100 (The grant appears to be ready for closeout.)

CDBG-DR (B-08-DI-47-0001)

Amount Awarded: \$92,517,890.00
 Amount Obligated: \$92,517,890.00
 Amount Expended: \$86,427,245.63
 Balance: \$6,090,644.37
 Percent of Grant Disbursed: 93.42 %

CDBG-DR (B-10-DF-47-0001)

Amount Awarded: \$30,906,517.00
 Amount Obligated: \$ 30,335,372.48
 Amount Expended: \$28,509,760.37
 Balance: \$1,825,612.11
 Percent of Grant Disbursed: 93.98%

CDBG-DR (B-13-DS-47-0001)

Amount Awarded: \$13,810,000
 Amount Obligated: \$8,016,462.74 (Rounds 1 and 2 only)
 Amount Expended: \$6,601,513.50
 Balance: \$1,414,949.24

NOTE: Funds obligated for the 2013 CDBG-DR grant award under Round 1 were not expended by the deadline of February 14, 2016. The State provided a workout plan and will be utilizing program income to make up the difference (41,183,537.26). Round 3 should be obligated in the near future.

Other Department Programs/Designations**Other Program Requirements**

- Regulatory Caps

Regulatory Caps: (Program regulations limit the amount of funds that can be expended on certain activities. For example, for HOME Community Housing Development Organization (CHDO) set-aside, the regulation establishes a minimum amount that must be committed to CHDO Activities). See below:

	Standard	Regulatory Requirement	Actual Expenditures	Actual Percentage
CDBG Public Service Obligations	<15% of Allocation (or dollar amount)	570.201(e)(1) or (2)	\$ 0	0
CDBG Planning/Admin Expenditures/ plus PI	<20% of Allocation	570.200(g)	\$ 2,701,167.00	8.75%
HOME Administration	<10% of Allocation	92.207	\$ 7,500.00	.80%

HOME CHDO Reserve	>15% of Allocation	92.300(a)	\$ 49,820,538	15.06%
ESG Administration	<7.5% of Allocation	576.108(a)	\$ 95,121.06	3.23%
HOPWA Administration	<3% of Allocation	574.300(6)(10(i))	\$ 28,155.00	2.98%

- Monitoring/Audit

Monitoring Summary:

The State of Tennessee's Community Development Block Grant Program-Disaster Recovery (CDBG-DR), Grant Number B-13-DS-47-0001, administered by the Tennessee Department of Economic and Community Development (ECD) was monitored onsite in 2016. There were no findings or concerns as a result of the onsite review.