

EXHIBITS

Exhibit 7: Schedule of Community Development Projects

CDC		Name of Project	Description of Project	Amount
AEDC	1	Bolling View	Purchasing of lots & Predevelopment	\$2,000,000
	2	Anacostia Mews	Construction of five townhouses	117,924
	3	Knox Hill Village	Acquire the property & construct the project	700,000
	4	Good Hope Market Place	Acquisition of Safeway Store	12,500,000
	5	Skyland Facades	Improvements for the shopping center	50,000
	6	Monterey Park	Development of 64 housing units	1,386,005
	7	1905 & 1907 MLK, Jr. Ave, S.E.	N/AV	164,022
	8	Bladensburg Rd. Manuf. & Train'g Fac. (ORB)	Rehabilitation	450,000
DCCH	9	Nehemiah Shopping Center	Construction of Shopping Center	300,000
	10	C. H. Metro Planning Workshop	Planning & conducting the work shop	50,000
	11	Edward Mazique Center	Child care, counseling services	500,000
	12	1200 Irving Street	Rehabilitation	959,370
	13	1430 Chapin St., NW	Financing the building	811,670
ERCDC	14	Hillsdale Heights Townhouses	Construction of site infrastructure	300,000
	15	Oxon Creek	Construction of Townhouses	800,000
HSCDC	16	Micro Loan Program	Fund HSCDC's Micro Loan Program	500,000
	17	Bossard Mannor	Predevelopment costs	98,000
	18	Douglas Townhouse	Developed 10 new town homes	137,000
MANNA	19	Parkmont Condos	Rehabilitation project	335,000
	20	10th St./ Vermont Ave	N/AV	100,000
	21	Spruce-up program U Street	Spruce-Up Program	50,000
	22	Civil War Memorial	Revitalization of neighborhood	92,423
	23	Anthony Bowen YWCA	Rehabilitation	150,000
MHCDC	24	3120 Massachusetts Ave.	Acquisition and Rehab of property	290,000
NCNDC	25	Hanover Place	Renovation & Rehabilitation	550,000
	26	NY Avenue Playground	Construct playground	160,000
	27	Planning grant for service area	To carryout strategic developm't study	25,000
	28	Woodridge Place-Phase II	Development of 17 single family homes	460,000
PIC	29	Georgia Ave. Planning Study	Development - Georgia Ave.	375,000
	30	Gage School	Pre-developm't costs for Gage School	290,000
	31	Colony House Apartments	Acquisition the property	2,000,000
	32	Healthcare Facility (Parcel 30)	Revitalization	334,992
	33	4708 14th St., N.W.	Acquire & repair of 4708 14th St.	150,000
	34	3025 15th St., N.W.	Financing the acquisition of structure	400,000
Total⁴		34 Projects		\$27,586,406

N/AV: Project files not available for review.

⁴ As of April 30, 1999

EXHIBITS

Exhibit 8: Schedule of Administratively Funded Projects

CDC	Project Name	Fiscal Year Funded ⁵				
		1995	1996	1997	1998	1999
Anacostia Economic Dev't Corporation	1. Anacostia Northern Gateway	X	X	X	X	X
	2. Anacostia Mews	X	X			
	3. Bolling View	X	X	X	X	
	4. Chadwick Apartments	X	X			
	5. Camp Simms	X	X			
	6. Good Hope Market Place	X	X	X	X	
	7. Hillsdale Walk Townhouse				X	X
	8. Knox Hill	X	X	X		
	9. Parking Lot Lease/MLK Dev't Project	X	X	X	X	X
	10. Recycling Buy Back Center	X				
	11. Stanton Hills Townhouses	X	X	X		
	12. Southeast Area Transit	X	X			
	13. Skyland Shopping Center				X	
	14. Ya-Chad	X	X	X		
Dev't Corporation Of Columbia Heights	15. 1419 Columbia Road, N.W.				X	
	16. 1427 Chapin Street, N.W.				X	X
	17. 1430 Chapin Street, N.W.	X	X	X		
	18. 1474 Chapin Street, N.W.				X	X
	19. 1014 – 1034 Euclid Street, N.W.		X	X	X	
	20. 1429 Girard Street, N.W.		X	X	X	X
	21. 1461 Girard Street, N.W.	X	X			
	22. Hines Office Building, Parcel 40	X	X			
	23. 1200 Irving Street, N.W.	X	X	X	X	X
	24. 2327 – 2331 15th Street, N.W.		X	X		
	25. Nehemiah Mix Use, Parcel 34	X	X			
	26. Nehemiah Shopping Center, Parcel 13	X	X	X		
	27. Parcel 5, 14th & U Streets, N.W.	X	X	X		
	28. Scattered Sites Public Housing Project				X	X
East of the River Community Dev't Corp.	29. Elvans Childhood Development Center	X	X	X		
	30. Early Childhood Development Center	X	X	X		
	31. Dubois Court / Atlantic Mews	X	X	X	X	X
	32. Hillsdale Projects				X	X
	33. Terrace Manor II Townhouses	X	X	X		
H Street Community Development Cor. 4	34. Brady Hall Residential Renovations		X			
	35. Bossard Manor Townhouses				X	X
	36. New York Avenue Industrial Supply		X	X		

⁵ As of March 30, 1999

EXHIBITS

Exhibit 8: Schedule of Administratively Funded Projects

CDC	Project Name	Fiscal Year Funded				
		1995	1996	1997	1998	1999
H Street Community Development Cor. 5	37. Douglass Mews Housing Project			X	X	X
	38. 13th Street N.E. Project	X	X	X		
	39. Good Hope Road Market Place		X	X		
	40. Hayes School	X	X	X		
	41. Parcel 22	X	X	X		
	42. Parcel 8 Townhouses	X	X	X		
	43. Rosedale	X	X	X	X	
Latino Economic Dev't Corporation	44. Culinary Institute Training Project			X	X	
	45. MiCasa/Calvary Incubator		X	X		
	46. Park Road Cooperative				X	
	47. Tivoli Apartments			X		
Marshall Heights Community Dev't Corp.	48. Conrail/KIP				X	
	49. Chaplin Woods				X	X
	50. Fort Chaplin Townhouses			X	X	
	51. Fort Dupont Townhouses			X		
	52. Greenway Apartments	X	X	X	X	X
	53. Greentree Homes					X
	54. Homesite Housing Program		X	X	X	
	55. Homesite I					X
	56. Homesite II					X
	57. Kenilworth Industrial Park	X	X	X		X
	58. Minnesota Ave. Corridor Comm. Dev't	X	X	X	X	X
	59. Rock Ridge Manor Development	X	X	X	X	X
	60. 4000 D Street, S.E.				X	
	61. Special Needs and Transitional Housing	X	X	X		
62. Supportive Housing Programs					X	
North Capital Neighborhood Dev't Corporation	63. Bates Street / North Capitol Building	X	X	X		
	64. Community Dev.t Credit Union		X	X		
	65. Hanover Place Area	X	X	X	X	X
	66. Perry School	X	X	X	X	X
	67. Scattered Site Housing Development			X		
	68. Tyler House	X	X	X		
Peoples Involvement Corporation	69. Colony House Apartment Project	X	X	X		
	70. Dunbar Theater Renovation	X	X	X	X	X
	71. Extended Health Care Facility	X	X	X	X	X
	72. Gage School				X	X
	73. Walbraff Condominiums					X
	74. 3025 15th Street, N.W.	X	X	X	X	

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Housing and Community Development



Office of the Director

FEB - 7 2000

Charles C. Maddox, Esq.
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Dear Mr. Maddox:

The staff of the Department of Housing and Community Development (DHCD) has reviewed the draft report (OIG-11-99CD) issued by your office on the audit conducted on DHCD's administration of funds provided to Community Development Corporations (CDCs). The narrative for each finding, and the subsequent recommendations given for each finding, was carefully reviewed to ensure we understood the rationale for each. DHCD appreciates the time and effort taken by your staff in this undertaking, and intends to use the opportunity presented by the audit to correct cited deficiencies and improve our management operations accordingly.

Enclosed for your review is DHCD's response to the audit's recommendations. In some cases, we have also responded to narrative statements in your report where we believe there is a misunderstanding of our program and the development process we facilitate. Specifically we note the intended purpose for administrative funds provided to CDCs; and the length of time involved in the development process, especially in depressed neighborhoods. These areas are discussed in greater detail in our attached response.

My staff and I are available to discuss any of these issues at your convenience. Should you need any further assistance, please have your staff contact Bettie G. Crawl, Program Monitoring Officer at (202) 442-7241.

Sincerely,



Othello Mahone
Interim Director

Enclosure

801 North Capitol Street, N.E., Washington, D.C. 20002 (202) 442-7200

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

**DC DEPARTMENT OF HOUSING
AND
COMMUNITY DEVELOPMENT**

**RESPONSE TO
THE OFFICE OF THE INSPECTOR GENERAL AUDIT
ON THE
MANAGEMENT OF FUNDS
PROVIDED TO
COMMUNITY DEVELOPMENT CORPORATIONS**

Audit Report No. OIG-11-99CD (Dated January 18, 2000)

February 7, 2000

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

FINDING 1: MEASURING DHCD'S EFFECTIVENESS AND EFFICIENCY

Summary of Finding:

DHCD was ineffective in using CDBG funds, resulting in a continuing carry forward of large amounts of funds from one operating budget year to the next. DHCD lacked an effective performance measurement system that would show how funds distributed to the CDCs actually benefited the District and compared to the results anticipated. CDC evaluations did not capture the data necessary to measure and evaluate progress, were ambiguous, and need to be improved. DHCD needs a comprehensive strategic plan that commits management to specific improvements in the District over a 3- to 5-year period, updated annually. However, the plan would be of little value should executive management continue to change (over the last 14 years, DHCD had at least ten Directors).

DHCD RESPONSE TO DISCUSSION IN THE FINDING:

Performance Measures

The Department of Housing and Community Development (DHCD) is committed to continue to find ways to improve its effectiveness and efficiency in managing all of its resources. To this end, DHCD is implementing a project monitoring system that will track the status of all projects in its pipeline. The data management system recently purchased by DHCD is a Grant Management System, developed by Housing and Development Services, Inc. (HDS). The software program will provide Development Finance with the tools necessary to use the new system and the ability to measure performance and evaluate the progress of all of its projects. The HDS Grant Management System performs the following functions:

- Grant Tracking
- Application Processing
- Grant Accounting (including release of HUD funds, HUD draw down schedules and complete source and use reconciliation)
- Grant Report Compliance (such as accomplishments and beneficiaries data)
- On-Site Monitoring reviews
- Tracks Labor Compliance and CPA Audit Data
- Housing Project Development and Underwriting
- Housing Project Accounting

The HDS System will be in place in the spring of 2000. In addition, DHCD will:

- Spend its allocations in federal block grant funds on a variety of projects; process any remaining CDBG, HOME and LIHTC resources this FY more effectively; and efficiently distribute CDBG Funds during the current FY. By using the HDS System,

EXHIBITS

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DHCD will know exactly how much money has been expended throughout the year and what is left on its budget lines.

- DHCD has restructured the method of awarding subgrants for projects, referred to as the Task Force method, which was used in fiscal year 1998 and 1999. On December 8, 1999, the Department issued a Notice of Funding Availability (NOFA) for CDBG and HOME Funds for FY 2001. This process has been improved by starting the intake of new proposals earlier in the year, in order to include the projects in the DHCD annual Action Plan submitted to the D.C. City Council and HUD. In the spring of 2001, all subgrantees will be notified of proposed awards to be available in FY 2001. The Department believes this method of funding will increase the effectiveness and efficiency of this Agency's ability to award federal block grant funds in the current FY.

CDC Evaluation

The Division of Residential and Community Services (DRCS), which provides administrative funds (i.e., personnel, consultant, equipment and indirect costs) to Community Development Corporations (CDCs), monitors each organization through the use of two primary instruments: performance evaluations and monitoring reports (see Attachment 1a and 1b). Scheduled monitoring is conducted twice a year. The initial report is prepared for the period beginning October 1st and ending March 30th and the second report is for the period April 1st through September 30th. The information listed in the scheduled monitoring reports reflects the number of jobs created, loans disbursed and the status/progress of projects administratively funded under the NDAP.

The DRCS determines the progress of NDAP projects through the use of three instruments:

- 1) bi-monthly project review forms (outlines the activities undertaken by the CDC for each NDAP funded project);
- 2) project review section of the scheduled monitoring report, and
- 3) work plans.

If a CDC has not completed tasks in compliance with the work plan, an explanation of impediments is included in the bi-monthly report. The NDAP Project Manager reviews the explanation and then determines if the explanation is satisfactory. If the explanation is determined satisfactory, the CDC is advised that a revised work plan must be prepared consistent with new delivery dates. Revised work plans are required no later than March 31 (mid-year) at a minimum, per the NDAP grant agreement.

If it is determined that a project has encountered delays that will result in little or no activity for the balance of the fiscal year, the NDAP Project Manager will discuss with the CDC the possibility of removing the project from the list of approved projects and activities under NDAP. If the impediments can be satisfactorily resolved, the project may be included under NDAP at that time. The information listed in work plans is

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

included as part of the scheduled monitoring report and used when evaluating a CDC's overall performance.

In addition to the scheduled monitoring reports, the DRCS conducts unscheduled visits to the CDCs funded under the Neighborhood Development Assistance Program (NDAP) on an as needed basis (sample attached). Each organization is further monitored by staff in the DRCS through the CDCs submission of bi-monthly narrative reports (which contains pertinent information pursuant to taxes leveraged and jobs created), financial reconciliation forms, invoice cover sheets, canceled/paid checks, loan status reports and time distribution sheets. Through the submission of these documents, the DRCS is provided a complete accounting of the all of the funds disbursed and activities completed under the NDAP.

RECOMMENDATION 1:

Establish a strategic plan that outlines specific improvements that DHCD will commit to over the period and that incorporates a performance measurement system for projects.

DHCD RESPONSE:

DHCD is aware of the need to establish a strategic alignment between its projects, the city's strategic neighborhood initiatives, available funds and its performance. A strategic plan will be developed by April 30, 2000.

EXHIBITS

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FINDING 2: MONITORING PROJECT PERFORMANCE

Summary of Finding:

DHCD did not monitor the progress and status of projects. The lack of monitoring precluded timely detection of delays in starting and completing projects and precluded timely detection of poor workmanship, all of which caused additional costs. Projects were also terminated without knowing the total costs incurred on those projects. DHCD provided administrative funding for projects which did not appear to have visible physical development or progress.

DHCD RESPONSE TO FINDING:

CDC Administrative Funding

The Department of Housing and Community Development provides administrative support to Community Development Corporations (CDCs) through the Neighborhood Development Assistance Program (NDAP). Administrative support under NDAP is for the purpose of providing funds for organizational operations and capacity building, including costs associated with space, equipment, staff development, training, predevelopment (consultant cost) and personnel. The objective is to provide assistance to community based organizations to pursue neighborhood revitalization projects and activities. "Pursue" is the operative word because of the nature of economic development in depressed neighborhoods. Even with DHCD's administrative support, the intended goal of development is often not accomplished.

Neighborhood revitalization projects undertaken by CDCs are in areas considered high risk at best, especially during the time frame of this audit, 1994-1999. The availability of financial investments is not readily available for predevelopment activities in these neighborhoods. The City, however, supports CDCs to facilitate activities that have very little probability of occurring through the normal streams of private investment. The economics in these neighborhoods are very different from the market downtown and in other affluent areas; development activities do not move forward on its own.

The intervention of government assistance, as a catalytic agent, is required at the beginning stages. Projects provided administrative support can sometimes be funded three (3) to four (4) years before the actual development occurring, if at all. While private financiers typically are not interested in these projects, these developments are needed for the public good. Therefore, DHCD's administrative funds allow CDCs to pursue worthy projects and, hopefully, are successful in making it happen. For example, the following projects, now completed or under construction, were funded administratively for extended periods and would have never moved forward without DHCD's continued administrative support:

- The Colony, 57 housing units and the Georgia Avenue Visitor's Center

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

- Boussard Townhouses, 5 new townhouses in a previously blighted area
- The Nehemiah Project, 66 new housing units and 23,000 sq. ft. of commercial space, including a bank, laundry mat, barbershop and convenience store)
- Greenway Apartments, renovation of a large apartment complex with 197 units in a previously drug-ridden and blighted area

There are many obstacles to the actual completion of these projects, the least of which is financing. The six projects pictured on pages 13-16 of the OIG report have summaries of their current status. While construction may not have commenced, there has been activity (or progress) which resulted from CDC efforts supported by the DHCD administrative funding provided. This work, typically pre-development type activities, is consistent with the Scope of Work included in the Agreement (see Attachment 2a). These activities include:

- Securing technical studies and data
- Pursuing joint ventures with developers
- Coordinating community involvement
- Negotiating with financial institutions, developers, government, etc.
- Securing other necessary funding
- Securing necessary permits, zoning adjustments

Without this assistance, the projects would never occur, and the city would have lost an opportunity to improve neighborhoods. When the Department decides to provide administrative support for a project (i.e., provide some portion of a staff person's salary to work on the project) a work plan is submitted, indicating what is to be accomplished during the fiscal year. The work plan is monitored to ensure that activities are progressing. If DHCD is not satisfied with the progress of a project, the CDC is consulted and an explanation is given. If DHCD is satisfied with the explanation, a new completion date is accepted. Often it is clear at the beginning of the grant period that actual development will not occur during the term of the agreement; however, there are still important activities that must be completed in order for development to occur. These activities can include the activities stated above, as well as:

- Resolving problems associated with site control, liens, and distressed property issues
- Marketing commercial/retail space
- Negotiating lease agreements

When the Department determines that there appears to be no significant movement in an activity through review of work plans and monitoring reports, the Department may decide to terminate the project under NDAP. Once the CDC presents information indicating that the impediments have been resolved and the project can move forward, it can be reinstated. Additionally, the CDC may request that the project be removed, given the lack of activity. The Department's decision to fund or not fund a project administratively depends on whether DHCD believes there is a sufficient workload to be accomplished by a staff person.

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

RECOMMENDATION 2

- a) Develop, document, and implement procedures and controls for the Development Finance Division to ensure that projects are routinely and continuously monitored throughout the life of each project.

DHCD RESPONSE:

As a result of the management reform effort undertaken by this department, new procedures were put in place for the Development Finance Division's funding process. Still missing, however, are procedures for monitoring recipients of funding for housing and community development projects. These procedures are being developed and will be finalized by April 30, 2000.

- b) Develop a standardized monitoring report for the Development Finance Division that will capture and document activities and accomplishments of CDBG funded recipients that will also measure progress against goals and milestones.

DHCD RESPONSE:

An integral part of the new monitoring procedures is the "Project Monitoring Checklist", that is to be completed each time a monitoring activity takes place on a project, whether it is in the form of a desk review or a site visit. This will be discussed as part of the monitoring process to be developed by April 30, 2000.

- c) Allocate adequate resources to the Residential and Community Services Division so that all administrative subgrant recipients and related projects are monitored.

DHCD RESPONSE:

DHCD will initiate the actions to allocate the necessary resources to the Residential and Community Services Division. This involves requesting the Chief Financial Officer, the Mayor and the Financial Authority to approve an increase in DHCD's FTEs.

- d) Obtain and provide the Office of the Inspector General supporting documentation for the eight terminated projects and the six "pictured" projects that shows what was accomplished, related reports, and other documentation that shows what was spent on each project.

DHCD Response:

Per the OIG request, supporting documentation for the eight terminated projects and the six-pictured projects, is attached. (See Attachment 2d) However, it should be noted that the pictures do not show what was accomplished with DHCD's administrative funds. Administrative funds were provided to pay for staff work on the project. It does not fund the

EXHIBITS

Exhibit 9: DHCD Responses to the Report, Findings, and Recommendations

actual development of the project. (Please refer to the discussion under CDC Administrative Funding on pages 5-6, as well as the section, CDC Evaluation, of Finding 1 on pages 2-3 for the purpose and benefit of providing administrative funds to CDCs.)