



McHenry County
Department of Planning and Development

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June 24, 2016

Mr. Ray E. Willis, Director
Office of Community Planning and Development
United States Department of Housing and Urban Development
77 West Jackson Boulevard
Chicago, IL 60604-3507

Re: McHenry County Response to 2015 Program Year-End Review Letter

Dear Mr. Willis:

We are in receipt of your letter dated May 27, 2016 regarding review of the 2015 McHenry County Consolidated Annual Performance and Evaluation Report (CAPER). We are pleased to note that your initial review has led to the determination that McHenry County has the continuing capacity to administer Community Planning and Development programs.

Your letter identified the need for responses to some specific questions which we would like to address in this correspondence. We will respond to each request and identify our intended follow-up and timelines.

"HUD requests that you share this letter and the attachments with the residents of McHenry County."

Response: McHenry County will scan and post your May 27, 2016 letter and its attachments on its Community Development web page. The letter and its attachments as well as our response will be posted for a minimum of thirty (30) days after our response has been developed.

"HUD, however, noticed that the County failed to carry out some of the HOME activities proposed in the 2015 Program Year Annual Action Plan. This is the third consecutive year in which HOME activities have been canceled or failed to move forward. Please provide an explanation on the steps the County is going to take to ensure that it will carry out the 2015 Action Plan proposed HOME activities. Please provide this information no later than 30 days from the date of this letter."

Response: McHenry County notes that 30 days from the May 27, 2016 date of this letter and its attachments will be June 27, 2016.

In January of 2015, the Housing Commission (now the Community Development and Housing Grant Commission) opted to fund one tax credit project and one group home development project that did not proceed to fruition. One project did not proceed due to the inability to obtain the necessary tax credits from the Illinois Housing Development Authority. The other project did not proceed due to that agency's CFO making the decision not to proceed. These decisions came about later in 2015 for the tax credit project and in 2016 for the group home project.

Both of the projects funded in the January 2015 round had contingencies for a secondary organization, Home of the Sparrow that could become the sub-recipient under these circumstances. As HUD was made aware, the CD Division in McHenry County experienced significant turnover of two CD Specialists and the CD Administrator later in 2015. The Division became fully re-staffed with the hiring of the new CD Administrator in January and a CD Specialist in March. This staffing model was deemed acceptable to HUD. Work began immediately starting in 2016 to:

1. Communicate with the group home sub-recipient to advise that funding was being rescinded
2. Draft a resolution to reallocate the funding for both the tax credit and the group home projects to be transferred to the contingency sub-recipient
3. Develop enhanced project staff vetting for both HOME and CDBG applicants
4. Move the timeline of HOME funding to make tax credit projects more palatable and less risky to fund
5. Identify a methodology to enhance the period of time for Citizen Participation in Annual Action Plans

Slower activities to complete were addressed both with direct contact to the sub-recipients and through the enhanced project staff vetting that penalizes organizations for slow-to-complete or risky and complex projects. Our office has educated the potential applicants as to the nature of the staff reviews of applications and posts the scoring system used during NOFA periods.

We are pleased to report that, as of the date of writing this letter, the funding reallocated to Home of the Sparrow is being used to acquire the first property under a Scattered-Site Acquisition and Rehabilitation program that will provide affordable housing to families.

"It is necessary that you provide a copy of this letter to your IPA/Auditor and instruct them to focus their next audit review on the financial reporting requirements of the Community development Block Grant (CDBG) program."

Response: The Community Development Administrator provided a copy of the letter from HUD to McHenry County Auditor Pam Palmer's office on June 6, 2016, which is the date the letter was received in our office.

"Requirement: Grantees are required to provide narrative information on the following HOME related items:

- a. Results on on-site inspections of rental housing activities***
- b. An indication of which of these were inspected, and a summary of issues that were detected during the inspection***
- c. A description of how it will remedy the situation for those properties that were not inspected"***

Response: In February, 2016, the CD Division staff began to update the monitoring schedule for all grant activities. Because the Division is also the Planning grantee for the Continuum of Care, it was deemed necessary to have a consistent and seasonal schedule of monitoring activities to ensure a more consistent work flow and throughput.

The monitoring schedule is attached to this letter and identifies the nature of the monitoring by season. HOME monitoring had typically occurred in summer months and will remain on the schedule to be completed at those times.

The following narrative will identify a response to your three aforementioned questions related to the HOME program:

- a. The CD Division anticipated monitoring visits at:
 - Home of the Sparrow, Inc. (Scattered-Site Acquisition and Rehabilitation Program)
 - Pioneer Center (PADS Rindahl Transitional, Marengo, Wheeler and Madison group homes)
 - Housing Authority (Silver Trees II)
 - Turning Point, Inc. (376 McHenry Avenue)
- b. All of the sites were monitored and none demonstrated significant issues. One site with a minor issue with Home of the Sparrow. CD Staff determined that a particular question on the rental application was fine to use (Does client applying for household break peaceful enjoyment?)
- c. All sites intended for a monitoring visit were visited during the program year

Response to CDBG Specific Activities:

IDIS 771: This is funding allocated to the Full Circle Development project in Richmond, IL. Due to the timing of funding in 2015 and the required

procurement, work on this project could not have begun until the weather was too cold. A contractor was procured in the Spring of 2016 and is presently in the process of completing the work. The sub-recipient anticipates completing its first draw request in early July, 2016.

IDIS 775: The Housing Authority has completed a significant portion of these activities for the Owner-Occupied Rehabilitation Program. The organization has been sending in draw requests frequently and will be spent down to roughly \$30,000 by the end of this week.

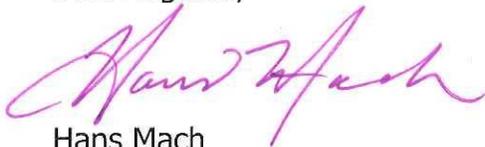
IDIS 776: This is funding for the McCullom Lake Drainage project. McCullom Lake also experienced a similar scenario in that they could not get started in the Fall of 2015 due to weather issues. A considerable amount of the work has been completed this Spring and the Division anticipates another draw from McCullom Lake in the next few weeks.

IDIS 780: This is funding for the City of Woodstock Walnut Ash Drainage project. The City of Woodstock also could not get started on this project in the Fall due to weather. The City procured a contractor to complete this work. CD Staff surveyed the site on a visit and were advised by the contractor that the work has been completed. The City of Woodstock has advised they will make a complete draw of the funding within two weeks.

One again, thank you for the opportunity to respond and demonstrate our ability to continue to have the capacity to administer CDBG and HOME funding.

If you should have any questions, please feel free to contact me at (815) 334-4089.

Best Regards,



Hans Mach
Community Development Administrator

CD DIVISION MONITORING SCHEDULE

This addendum provides an oversight into the intended annual monitoring schedule of the Community Development Division. The Division is responsible for monitoring Community Development Block Grant (CDBG) activity, HOME Investment Partnerships Program projects, Continuum of Care (CoC) projects, Emergency Solutions Grant (ESG) programs and is responsible for the closeout of the Neighborhood Stabilization Program (NSP). The CD Division may select an NSP project for monitoring under CDBG and will monitor housing acquired through NSP under the HOME Program Monitoring Schedule.

The Division will provide desk monitoring or oversight for all of the activities as follows:

CDBG:

1. Onsite reviews during project work
2. Communication with sub-recipients
3. Quarterly financial and demographic reporting
4. Meetings with contractors or other stakeholders
5. Bid openings
6. Environmental reviews
7. Technical Assistance to sub-recipients, if needed

HOME:

1. Onsite reviews during project work
2. Communication with sub-recipients
3. Quarterly financial and demographic reporting
4. Meetings with contractors or other stakeholders
5. Bid openings
6. Environmental reviews
7. Technical Assistance to sub-recipients, if needed
8. Underwriting

CoC:

1. Continuum of Care meetings, including committee level
2. Communication with grantees
3. Ongoing demographics reporting into the Homeless Management Information System (HMIS)
4. Technical Assistance to grantees, if needed
5. Annual Point-in-Time Count review and statistical analysis of homeless trends

ESG:

1. Continuum of Care meetings, including committee level
2. Communication with sub-recipients

3. Ongoing demographics reporting into the Homeless Management Information System (HMIS)
4. Technical Assistance to grantees, if needed
5. Annual Point-in-Time Count review and statistical analysis of homeless trends
6. Review of quarterly reporting related to the State PER Report

The CD Division has adopted a seasonal monitoring schedule. Seasonal monitoring will be more intense and based on HUD-approved formats. These formatted monitoring checklists are continually updated by HUD and are available online. As a matter of procedure, grantees and sub-recipients are provided with these formats at least a month in advance of monitoring, unless the grantee or sub-recipient is "under distress." The Division considers an organization to be in distress under the following circumstances:

1. The grantee or sub-recipient self identifies being under distress
2. The community has determined that the grantee or sub-recipient is under distress. For example, the Continuum of Care may determine a grantee to be under distress.
3. Financial audits have indicated that the grantee or sub-recipient has demonstrated significant cash flow reductions. This may be evidenced by the loss of a larger funder at a non-profit or government body or by a considerable reduction in the tax levy of a government body.

The following demonstrates the monitoring schedule by season:

Fall Monitoring:

CoC Program:

One Permanent Supportive Housing (PSH) project that:

1. *Was not already monitored in the Spring*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor*
3. *Will be prioritized to be monitored if it was ranked lower in priority by the Continuum of Care*
4. *Will be prioritized to be monitored if the grantee is under distress*

One Transitional Housing (TH) project that:

1. *Was not already monitored in the Spring*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor*
3. *Will be prioritized to be monitored if it was ranked lower in priority by the Continuum of Care*
4. *Will be prioritized to be monitored if the grantee is under distress*

One Rapid Rehousing (RRH) project that:

1. *Was not already monitored in the Spring*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD*

to monitor

3. *Will be prioritized to be monitored if it was ranked lower in priority by the Continuum of Care*
4. *Will be prioritized to be monitored if the grantee is under distress*

Coordinated Entry, HMIS and the Planning Grant all contain mechanisms to be monitored by the CoC, such as through committees or inherently by the CoC itself.

If a particular project type listed above is not funded, the Division will still monitor three grantees total per season.

CoC grantees will be monitored for past and current activities. For financial purposes, the Division will monitor the most recently closed grant year. For determining client eligibility and other standards are met, the current grant year in use will be monitored.

ESG Program:

One CURRENT sub-recipient will be monitored. This sub-recipient will be one that:

1. *Was not already monitored in the Spring*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor. (Note that the Division anticipates the State of Illinois to be monitored for ESG, as the State is the grantee)*
3. *Will be prioritized to be monitored if the grantee is under distress*

As noted, ongoing quarterly reports are filed with the State of Illinois Department of Human Services. The Continuum of Care has requested that these reports also be submitted to the CD Division for desk monitoring and assistance in completing the annual State PER.

CDBG Program:

One Public Service project that:

1. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
2. *Will be prioritized to be monitored if the grantee is under distress*
3. *Will be fully monitored*

One or more Public Service projects that the Division will site visit to gain an understanding of the new or increased service to the community and what the organization has learned through the process.

Two Infrastructure/Housing/Public Facility Projects:

1. *Was not already monitored in the Spring, if applicable*
2. *Will be prioritized to be monitored if the grantee is under distress*
3. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
4. *Will be fully monitored*

HOME Program:

One project that:

1. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
2. *Will be prioritized to be monitored if it is demonstrating zero activities*
3. *Is currently operating*
4. *Will be fully monitored*

One project that:

1. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
2. *Will be prioritized if it is demonstrating zero activities*
3. *Is a recently closed activity (in the past two years) and is under the period of affordability*
4. *Will be fully monitored*

Winter Monitoring:

The CD Division will be completing annual reporting and recaps necessary to develop the CAPER and Annual Action Plans. At this time, the Division will also consider whether or not it needs to amend its Consolidated Plan. Depending on what year of the Consolidated Plan the Division is operating in, consideration will also be made to develop a subsequent Consolidated Plan.

The Division will respond to a request from HUD to monitor any grantee or sub-recipient during this time and will provide Technical Assistance as needed.

Spring Monitoring:

CoC Program:

One Permanent Supportive Housing (PSH) project that:

1. *Was not already monitored in the Fall*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor*
3. *Will be prioritized to be monitored if it was ranked lower in priority by the Continuum of Care*
4. *Will be prioritized to be monitored if the grantee is under distress*

One Transitional Housing (TH) project that:

1. *Was not already monitored in the Fall*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor*
3. *Will be prioritized to be monitored if it was ranked lower in priority by the Continuum of Care*
4. *Will be prioritized to be monitored if the grantee is under distress*

One Rapid Rehousing (RRH) project that:

1. *Was not already monitored in the Fall*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor*
3. *Will be prioritized to be monitored if it was ranked lower in priority by the Continuum of Care*
4. *Will be prioritized to be monitored if the grantee is under distress*

Coordinated Entry, HMIS and the Planning Grant all contain mechanisms to be monitored by the CoC, such as through committees or inherently by the CoC itself. The Division will offer Technical Assistance as needed.

If a particular project type listed above is not funded, the Division will still monitor three grantees total per season.

CoC grantees will be monitored for past and current activities. For financial purposes, the Division will monitor the most recently closed grant year. For determining client eligibility and other standards are met, the current grant year in use will be monitored.

ESG Program:

One CURRENT sub-recipient will be monitored. This sub-recipient will be one that:

1. *Was not already monitored in the Fall*
2. *Was not already monitored by HUD in the past two years UNLESS the Division is asked by HUD to monitor. (Note that the Division anticipates the State of Illinois to be monitored for ESG, as the State is the grantee)*
3. *Will be prioritized to be monitored if the grantee is under distress*

As noted, ongoing quarterly reports are filed with the State of Illinois Department of Human Services. The Continuum of Care has requested that these reports also be submitted to the CD Division for desk monitoring and assistance in completing the annual State PER.

CDBG Program:

One Public Service project that:

1. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
2. *Will be prioritized to be monitored if the grantee is under distress*
3. *Will be fully monitored*
4. *Has recently completed its activities (ending December 31)*

One or more Public Service projects that the Division MAY site visit to gain an understanding of the new or increased service to the community and what the organization has learned through the process.

Two Infrastructure/Housing/Public Facility Projects:

1. *Was not already monitored in the Fall, if applicable*
2. *Will be prioritized to be monitored if the grantee is under distress*
3. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
4. *Will be fully monitored*

HOME Program:

One project that:

1. *Will be prioritized to be monitored if not submitting reporting or making draws in a timely manner*
2. *Will be prioritized if it is demonstrating zero activities*
3. *Is a recently closed activity (in the past two years) and is under the period of affordability*
4. *Will be fully monitored*

Summer Monitoring:

HOME Program:

The CD Division will monitor HOME Projects currently in the period of affordability. Projects currently under their period of affordability are tracked separately.

The Division will respond to a request from HUD to monitor any grantee or sub-recipient during this time and will provide Technical Assistance as needed.