



U.S. Department of Housing and Urban Development

Philadelphia Regional Office
The Strawbridge's Building
801 Market Street
Philadelphia, Pennsylvania 19107-3380

June 29, 2022

Via email: lcollins@bethlehem-pa.gov

Ms. Laura Collins
Director of Community & Economic Development
10 East Church Street
Bethlehem, PA 18018-6028

Dear Mrs. Laura Collins:

RE: Program Year Review Letter
City of Bethlehem, PA
Program Year 2021 (January 1, 2021, through December 31, 2021)

We want to thank you and your staff for all you are doing to serve the CPD program needs of your community during these unprecedented times. The provisions of the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require the annual submission of performance reports by grant recipients receiving federal assistance through programs covered under these Acts. Additionally, these Acts require that a determination be made by the Secretary of the U.S. Department of Housing and Urban Development that the grant recipient is in compliance with the statutes and has the continuing capacity to implement and administer the programs for which assistance is received.

The Consolidated Plan regulations at 24 CFR 91.525 require the Department to evaluate and report to the public on a community's overall progress in the management of its program funds, compliance with the Consolidated Plan, the accuracy of performance reports, and the extent to which progress has been achieved toward the statutory goals identified in Section 91.1. This letter serves to apprise you of our assessment of the City of Bethlehem's overall progress.

In making our evaluation, we relied primarily upon Bethlehem's submission of the Consolidated Annual Performance and Evaluation Report (CAPER) for Program Year 2021. This report summarized accomplishments made with funds provided from the Community Development Block Grant (CDBG) program and HOME Investment Partnership program (HOME). This letter is a summary of our review of Bethlehem's overall performance.

Under the Part 91 Consolidated Planning regulations, all Annual Action Plans and CAPERs are required to include performance measures as part of annual reporting. The Office of Management and Budget has deemed this information necessary to validate the continued

funding of HUD programs. Bethlehem provided performance measures as required by this guidance.

CARES Act Program Accomplishments

Bethlehem received an allocation of \$1,446,505 of CDBG CARES Act funds for use preparing for, preventing, and responding to COVID-19. Bethlehem has expended \$928,842.35 of CDBG-CV CARES Act funds as of December 31, 2021. In Program Year 2021, the funds were spent on the following activities: Bethlehem Emergency Shelter, Public Services, Commercial Improvements, Economic Development: Direct Financial Assistance to For-Profit Business and Technical Assistance, and Program Administration. We appreciate all that Bethlehem has done to serve the needs of its community during these difficult times and to adapt to the many operational challenges that COVID-19 has presented.

Annual Program Accomplishments

CDBG Program:

The CDBG timeliness requirement is that a community may have no more than 1.5 times its most recent annual grant remaining in the line of credit 60 days prior to the end of its program year. When the 60-day test was conducted on November 2, 2021, it was calculated that your community had an adjusted for program income balance in its line of credit of **1.63** times its annual grant, which is not in compliance with the 1.5 timeliness standard.

A number of flexibilities, waivers, and alternative requirements were in effect in fiscal years 2020 and 2021 in recognition of the extenuating circumstances under which many local governments were operating due to coronavirus. Included among these was suspension of all corrective actions, sanctions, and information consultations for untimeliness in fiscal years 2020 and 2021. This suspension ended September 30, 2021. HUD advised grantees that this suspension did not eliminate the timely expenditure requirements set forth in 24 CFR 570.902. HUD continued to run expenditure reports and notified grantees of deficiencies when their grant fund balances exceeded the regulatory standard. In a memo dated October 21, 2021, CPD indicated how it would be restarting the corrective action process for untimely expenditures, including a temporary change in process for the application of corrective actions for untimely grantees. Our Office noted the City of Bethlehem's lack of timely performance as a deficiency in our December 6, 2021, first time deficiency letter. It is important to monitor your CDBG grant spending by running the IDIS PR-56 report on a regular basis. Please work towards coming into compliance with the 1.5 timeliness standard by November 2, 2022.

During the 2021 program year, Bethlehem reports that it expended \$987,003.12 percent of its CDBG funds for activities benefiting low- and moderate-income persons, which meets the primary objective of the Housing and Community Development Act of 1974. In addition, Bethlehem spent 11.52 percent of its funds on public service activities, which is below the 15 percent regulatory cap. Bethlehem obligated 16.20 percent of its CDBG funds to planning and

administration, which is below the 20 percent regulatory cap and in compliance with the *program year obligation* test at 24 CFR 570.200(g)(2).

The grant-based accounting interim rule at 24 CFR 570.200(g)(1) requires that, for 2015 and subsequent CDBG grants, a grantee may not expend more than 20 percent of any year grant for planning and program administrative costs. As a result, beginning with 2015 CDBG grants, grantees must ensure compliance with this *origin year grant expenditure* test. In review of the city's origin year expenditures, HUD has determined that, though not fully expended, currently Bethlehem has expended 20.00 percent of its 2017 grant, 19.08 percent of its 2018 grant, 19.88 percent of its 2019 grant, 10.94 percent of its 2020 grant, and 1.40 percent of its 2021 grant on planning and program administrative costs. Bethlehem's final compliance with the 2017, 2018, 2019, 2020, and 2021 origin year expenditure tests will be assessed once the grants are fully expended.

The city received a CDBG grant of \$227,955 for Program Year 2021 and expended \$196,990 of CDBG funds during this period. Resources were devoted to activities in geographic areas consisting primarily of low- and moderate-income residents throughout the city. The types of activities undertaken with these funds include economic development, housing rehabilitation, public facilities and improvements, administration, and public services.

In Program Year 2021, the majority of CDBG funds were spent on housing activities designed to provide decent affordable housing to low- and moderate-income households. A total of \$452,010.25 was used for the installation or repair of streets, street drains, storm drains, curbs and gutters, tunnels, bridges, and traffic lights/signs. Additionally, five owner-occupied housing units were repaired through the homeowner rehabilitation and emergency home repair programs. Two units were completed through the homeowner rehabilitation program using \$17,900 of CDBG funds, and three units were completed through the emergency home repair program using \$18,253.08 of CDBG funding.

Additionally, the city funded homeless activities with CDBG grant funds. These activities included providing operating support to a homeless shelter. A total of \$36,000 was spent on operating costs. Additionally, one person that was at-risk of becoming homeless received rental assistance to acquire permanent supportive housing.

Grantees were required to expend all 2014 CDBG funds by September 30, 2021. Bethlehem expended all its 2014 funds in compliance with this requirement. Any unexpended 2015 funds that the Bethlehem may have available must be expended by September 30, 2022.

HOME Program

Bethlehem received a HOME grant of \$388,033 for Program Year 2021 and expended \$159,858 of HOME funds. HOME Investment Partnership Funds were expended on rental rehabilitation, owner-occupied rehabilitation and homebuyer activities such as down payment

assistance and direct developer subsidies.

Affirmatively Furthering Fair Housing

Bethlehem also included in its CAPER its efforts to affirmatively furthering fair housing and identify impediments to fair housing. The city continued to fund a local Fair Housing Rights Group to provide education, outreach, and advocacy for fair housing practices. In addition, the city participated in training and webinars with housing providers, created a fair housing task force, and collaborated with market credit counseling education programs for local residents. We commend you for these efforts.

U.S. Department of Housing and Urban Development program participants are reminded that the legal obligation to affirmatively further fair housing remains in effect under the Fair Housing Act; Title VI of the Civil Rights Act; Section 109 of the Housing and Community Development Act; and other civil rights related authorities. Please be aware that a jurisdiction could be subject to a compliance review to determine whether, as a recipient of HUD funds, it is in compliance with applicable civil rights laws and their implementing regulations if its certification to affirmatively further fair housing is in question. The Office of Fair Housing and Equal Opportunity (FHEO) initiates most compliance reviews based on risk analyses, issues raised during a limited monitoring review, or when a civil rights problem is detected through HUD program monitoring. FHEO is available to provide technical assistance regarding affirmatively furthering fair housing upon your request. Should you have any questions, we encourage you to reach out to Carolyn Punter, FHEO Program Center Director, at Carolyn.K.Punter1@hud.gov.

We ask that you review our assessment of your performance and provide any comments that you may have within 35 days of the date of this letter. Upon receipt, we will evaluate your comments and make any revisions that are deemed appropriate. If you do not have any comments, we request that you formally notify us of that fact within the 35-day timeframe. Where no comments are received within the designated timeframe, our initial letter will serve as our final assessment of Bethlehem's performance for this program year. To facilitate and expedite citizen access to our performance letter, we request that you inform the general public and interested citizens' organizations and non-profit entities of its availability. If, for any reason, Bethlehem chooses not to do so, please be advised that our Office is obligated to make the letter available to the public. We appreciate your cooperation in this matter.

We look forward to continuing to work with you and members of your staff to accomplish Departmental goals and mutual objectives to develop viable urban communities. We would also be pleased to provide you with any information on resources that may be available to your community. If you need assistance, or if you have any questions concerning the content of this letter please contact Vaughn A. Watson Jr, Community Development Representative at

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(215) 861-7650, or by email, at vaughn.a.watson@hud.gov. Our telephone text (TTY) number for the hearing impaired is (800) 877-8339.

Sincerely,

Nadab O. Bynum
Director
Office of Community Planning
and Development

