

U.S. Department of Housing and Urban Development

Region XV, Metropolis Field Office
George Washington Federal Building
1234 Daily Planet Drive, Rm. 1500
Metropolis, USA 000009-77777

December 1, 2003

Mr. William Heitsch
Executive Director
Metropolis Housing Authority
108 Main Street
Metropolis, USA 000009

Dear Mr. Heitsch:

This letter is to provide the Metropolis Housing Authority (MHA) with a final copy of the report on the annual HOPE VI Monitoring Review for both the 1998 and 1999 HOPE VI grants. The purpose of the monitoring review was to ensure that the MHA is adhering to the requirements of the HOPE VI program and other related programs.

The results of the review were discussed with the MHA's HOPE VI staff at a closeout meeting held on October 16, 2003. The assessment revealed that the MHA is generally administrating the HOPE VI program in accordance with applicable requirements and guidelines. However, it is imperative that we stress to you the importance of meeting the identified Locked Checkpoints, which help us to determine how well the Agency is performing with regard to meeting its own development schedule. The MHA has missed key Locked Checkpoint dates and missing Locked Checkpoints is a violation of the HOPE VI Grant Agreement and is considered a Finding. Continued slippage on key dates may cause your Agency to be in default of the HOPE VI grant Agreement. It is in your interest to deal with any slippage in schedule as quickly as possible.

Additionally, the review did result in the identification of one Observation that was also identified in the prior year monitoring report. This Observation, relating to relocation, remains open. An Observation may be a general comment, or may be a deficiency in program performance, which does not result in a violation of a statutory or regulatory requirement, but which could, if not addressed, result later in a Finding.

Please advise this Office within 30 days of the date of this report of the corrective action taken or proposed to address the both the Finding and the Observation contained in the report. For any corrective actions, which cannot be accomplished within 45 days, the MHA must submit a Corrective Action Plan within 60 days to resolve those matters.

This Office would like to thank the MHA staff for the cooperation and courtesies extended to representatives from this Office during the course of the review.

Should you have any questions regarding the contents of this letter, you may contact Raul Julia, Division Director, at (555) 555-4443, extension 6922, or Gabriel Garcia Marquez, Development Coordinator, at extension 7722.

Very sincerely yours,

Jeanette Rankin
Director
Office of Public Housing

**U.S. Department of Housing and Urban Development
Metropolis Field Office – Office of Public Housing**

**Metropolis Housing Authority
HOPE VI Program**

**USA-33-URD-003-E198
USA-33-URD-003-I199**

Annual Monitoring Report

Introduction

The purpose of the HOPE VI program monitoring review, which concluded on October 16, 2003, was to ensure that the Metropolis Housing Authority (MHA) is adhering to all Federal Regulations relating to the administration of the HOPE VI program and other programs requirements.

This report reflects the results of the U.S. Department of Housing and Urban Development's (HUD's) annual monitoring of the following two HOPE VI grants awarded to the MHA:

Development Name	Type of Grant	Year of Award	Award Amount	Grant Number
Eddie Haskell Heights	Elderly Demonstration	1998	\$5,697,750	USA-33-URD- 003-E198
Perry White Homes	Revitalization	1999	\$34,000,000	USA-33-URD-003-I199

It is important to point out that there is pending litigation on the Perry White Homes HOPE VI development, that remains unresolved. Efforts on the part of the Plaintiff to enjoin the defendants from proceeding with relocation and demolition have been denied by the Court.

The HOPE VI Review resulted in one Finding and one Observation. The missed Locked Checkpoints is a finding, and the observation is related to the Perry White Homes revitalization grant. An Observation may be a general comment, or may be a deficiency in program performance, which does not result in a violation of a statutory or regulatory requirement, but which could, if not addressed, result later in a Finding. There were no reportable deficiencies at Eddie Haskell Heights.

The MHA must respond in writing to this Office within 30 days of the date of this report of the corrective action taken or proposed to address the identified Observation. For any corrective action, which cannot be accomplished within 45 days, the MHA must submit a Corrective Action Plan within 60 days to resolve the matter.

**U.S. Department of Housing and Urban Development
Metropolis Field Office – Office of Public Housing
Annual HOPE VI Monitoring Report**

**Metropolis Housing Authority
Elderly Demonstration Grant
USA-33-URD- 003-E198**

A. Description of Project

The Metropolis Housing Authority (MHA) was awarded a federal fiscal year 1998 HOPE VI Program grant in the amount of \$5,697,750 for the development of a five-story Assisted Living Facility (ALF) on a 16.33-acre parcel of land adjacent to an existing 300-unit elderly public housing development. The ALF will contain 100 efficiency units (385 square feet each) and a bathroom. The units will be furnished and will have a kitchenette with a sink, cabinets, a small refrigerator and a microwave oven.

A 24,190 square feet Service Center building, built around an expansive courtyard, will contain a central kitchen and dining area able to serve three meals a day to over 100 residents, a therapeutic pool with adjacent locker rooms, a beautician/ barbershop, arts and craft room, gift shop, library and a quiet lounge. The administrative office for the ALF will also be located in the Service Center Building.

B. HOPE VI Team

The MHA is directly responsible for the overall management of the HOPE VI grant. To ensure that the goals of the HOPE VI project are successfully accomplished, the MHA secured the services of various contractors. In addition, the HUD Metropolis Office of Public Housing is responsible for monitoring and oversight of the grant and the review and approval of various documents. This Office is also responsible for providing technical assistance to MHA. The following chart represents the Eddie Haskell Heights HOPE VI Team, both internal to the MHA and within the realms of the U.S Department of Housing and Urban Development.

Role	Firm/Organization	Contact
MHA Management Executive Director	Metropolis Housing Authority	William Heitsch
Director of Housing Development	Metropolis Housing Authority	Isabelle Allende
MHA HOPE VI Coordinator	Metropolis Housing Authority	Andy Garza
Design-Built Contractor	Lucille McGillicutty Construction	Maria Mendoza
HUD – Director Public Housing	U.S. Department of Housing and Urban Development – Metropolis Hub	Jeanette Rankin
HUD- Division Director	U.S. Department of Housing and Urban Development – Metropolis Hub	Raul Julia
HUD - Coordinator of Development	U.S. Department of Housing and Urban Development – Metropolis Hub	Gabriel Garcia Marquez
HUD – Chief Engineer	U.S. Department of Housing and Urban Development – Metropolis Hub	Sophia Marie Arzuaga
HUD – Grant Manager	U.S. Department of Housing and Urban Development – Metropolis Hub	Hugo Aleman, Sr.

C. Current Status of Activities

1. Ownership Entity

The ownership entity will be the Eddie Haskell Heights Assisted Living Associates, LLC, comprised of the MHA Development Corporation as general partner and an investor-limited partner. The MHA acts as the developer. The Metropolis County will convey the land to MHA Development Corporation and the Corporation will lease the land to the partnership for 65 years for the development and operation of Eddie Haskell Heights.

2. Financing

Financing during Construction:

The total funding of \$16,276,162 required during construction will be financed from five sources: a \$5,397,000 deferred-payment loan from the HOPE VI grant, \$8,100,000 from the issuance of tax-exempt bonds, \$833,200 from a deferred payment loan from the MHA's Capital Fund, \$1,370,000 from 4% Low-Income Housing Tax Credits (LIHTC) and \$805,962 from a \$6,500,000 deferred-payment loan from the local Money Mountain Fund administered by the MHA.

Financing after Construction:

The tax-exempt bonds will be retired using a portion of the investors' contributions and the development's remaining cash. The permanent financing totaling \$17,210,200, will be distributed as follows: \$5,397,000 deferred-payment loan from the HOPE VI grant, the \$6,500,000 deferred-payment loan from the local Money Mountain Fund administered by the MHA, \$5,480,000 in proceeds from the sale of Low-Income Housing Tax Credits, and \$833,200 from a deferred payment loan from MHA's Capital Fund.

Note: The difference of \$1,934,038 between the total funding during construction and the total permanent financing is caused by a \$1,013,000 developer fee and \$921,038 in reserves, which are not funded until after completion of construction. These reserves include \$250,000 in a Rent-Up Reserve, \$360,000 in an Operating Reserve, and \$311,038 in an Affordability Reserve.

Partnering with MHA in this project is: the Housing Finance Authority of Metropolis County, issuer of the tax-exempt bonds; Bank of Metropolis, purchaser of the tax-exempt bonds; and V.R. Best Credit Facility, LLC, the LIHTC investors, purchasers of the tax-credits.

3. Project Operations

The project will be operated through a combination of rents paid by tenants, public housing subsidies, funds generated from Medicaid waivers and additional state funds referred to as Optional State Supplements (OSS). The rent and public housing subsidies will pay for the operation of the building, and the Medicaid waiver and OSS funds will pay for the enhanced services provided in the ALF. Traditionally, Medicaid has only made payments directly to nursing homes for the care of the frail elderly when they are unable to live independently. However, waivers are granted to individuals so they may receive services relating to Assistance in Daily Living (ADLs) and the dispersal of medications in their homes, thus delaying their admission to a nursing home. The MHA will use funds generated by these individual waivers to pay for services to ALF residents. The State, in recognition of the savings generated by placing the elderly in an ALF instead of a nursing home, passes some of the savings along to the ALF in the form of the OSS payments. The MHA will hire a third party management agent to operate this facility.

4. Budget Line Items

The scope of the review included an evaluation of the grant drawdowns, cost and allocation methodology. Our analysis indicates that the cost allocations between the various MHA administered programs are acceptable.

5. Environmental/Construction

The State Department of Environmental Management approved the corrective action plan presented by the MHA and the Field Office provided final clearance based on 25 CFR Part 58 on June 15, 2002.

Construction started in August 2002, three months prior to the requirement of the Locked Checkpoint Dates, which called for a construction start date of November 30, 2002. At present the construction is 68% completed. Based on the last inspection reports from the Army Corp. of Engineers (COE), which was conducted in July 2003, the construction work is proceeding satisfactorily with no safety violations, and no negative findings with regard to Construction Quality or Contract Administration. Apropos to the subject, effective on November 2003, this Office is re-instituting monthly construction quality inspections at the Eddie Haskell Heights ALF site.

The MHA used its own funds to cover the initial construction costs. The MHA closed on its HOPE VI grant, the tax-exempt bonds, and the low-income housing tax credits, on August 13, 2003.

6. Evidentiary Materials

Finding: The MHA has missed the Locked Checkpoint date for submission of the required. The Office of General Counsel, Metropolis Field Office and the staff from the Office of Public Housing met numerous times with the Executive Director of the MHA and members of the HOPE VI staff and attorneys, to provide technical assistance regarding a satisfactory submission of evidentiary materials to the Department. Under the Locked Checkpoint Dates the closing was scheduled for November 30, 2002. All parties were finally in agreement in July and the closing of the HOPE VI grant took place on August 13, 2003.

D. Identified Weakness and Corrective Action Required

The reviewer found no reportable weaknesses and no corrective actions are required.

E. Conclusion

We note that the MHA chose to start construction of the ALF without a HUD closing. The MHA was fully cognizant of the fact that by taking this action they alone assume the considerable financial risk of the construction contract. However, the Agency has worked closely with this Office and a closing was accomplished in August 2003.

**U.S. Department of Housing and Urban Development
Metropolis Field Office – Office of Public Housing
Annual HOPE VI Monitoring Report**

**Metropolis Housing Authority
Revitalization Grant
USA-33-URD-003-I199**

A. Description of Project

In 1999, the MHA was awarded a HOPE VI Program grant in the amount of \$34,000,000 for the redevelopment of two contiguous public housing developments: Perry White Homes A and B. This community, located in the northwest part of Metropolis County, is known as Lex Luthor City.

At the time of the HOPE VI award, the aforementioned public housing developments totaled 850 units of which approximately 826 were occupied.

The Department approved the MHA's HOPE VI Revitalization Plan (RP) in August 2001. The RP includes demolition of all 850 public housing units and reflect replacement housing of 371 new units consisting of 80 public housing units, 135 lease-purchase units, and 156 affordable homeownership units. The MHA is currently preparing a revision to the Revitalization Plan, which will include 40 additional public housing units, to be sent to the Metropolis Field Office of Public Housing for review and approval.

❖ Phase I:	54 Single-family Units	
	4 Duplex Units	
Total Units		58
❖ Phase II:	73 Townhouse Units	
	11 Single-family Units	
Total Units		84
❖ Phase III:	88 Townhouse Units	
	2 Duplex Units	
	17 Single-family Units	
Total Units		107
❖ Phase IV:		
Carver Homes:	130 Townhouse Units	
	32 Single-family Units	
Total Units		162
Total All Phases:		411

As of the date of this report, the MHA had not yet determined the final format for the construction/financing nor had the MHA decided on the final housing mix (rental, rent-to-own or homeownership) per Phase. The MHA must submit a Mixed-Finance Rental Term Sheet detailing the proposed financing plan for this project and the final housing mix.

All units will be built on the sites known as Perry White Homes, currently owned by the MHA.

B. HOPE VI Team

The MHA is directly responsible for the overall management of the HOPE VI grant. To ensure that the goals of the HOPE VI project are successfully accomplished, the MHA secured the services of various contractors. In addition, HUD’s Metropolis Office of Public Housing is responsible for the review and approval of various documents and for providing technical assistance, oversight and monitoring of the grant. The following chart represents the James E. Perry White Homes HOPE VI Team, both internal to the MHA and within the realms of the U.S Department of Housing and Urban Development:

Role	Firm/Organization	Contact
MHA Management Executive Director	Metropolis Housing Authority	William Heitsch
Director of Housing Development	Metropolis Housing Authority	Isabelle Allende
HOPE VI Coordinator	Metropolis Housing Authority	Andy Garza
HOPE VI Project Manager	Metropolis Housing Authority	J.R. Bob Dobbs
CSS Coordinator	Metropolis Housing Authority	Sara Bellum
Program Manager	The Very Best Group, LLC	Benny Goodman
Relocation Provider	Relocation Housing Corporation	Ivan Stang
CSS Provider	Department of Human Services Metropolis County	Kenny Legume
HUD – Director Public Housing	U.S. Department of Housing and Urban Development – Metropolis Hub	Jeanette Rankin
HUD – Division Director	U.S. Department of Housing and Urban Development – Metropolis Hub	Raul Julia
HUD – Chief Engineer	U.S. Department of Housing and Urban Development – Metropolis Hub	Sophia Marie Arzuaga
HUD - Coordinator of Development/ Grant Manager	U.S. Department of Housing and Urban Development – Metropolis Hub	Gabriel Garcia Marquez
HUD – Public Housing Revitalization Specialist	U.S. Department of Housing and Urban Development – Metropolis Hub	Hugo Aleman, Sr.

C. Current Status of Activities

1. Relocation/ Tracking of Residents

The U.S Department of Housing and Urban Development approved the MHA’s Relocation Plan on August 8, 2000. This approval authorized the MHA to begin relocation efforts based on the accepted Plan.

To assist in the relocation efforts, on April 20, 2001, the MHA entered into a contract with a relocation provider, the Relocation Housing Corporation. At the time of the grant award there were approximately 826 units in occupancy at the Perry White Homes. As of October 2003 approximately 413 families had been relocated. Relocation has been accomplished through the use of Section 8 housing vouchers, public housing sites, and some homeownership units through the utilization of various County programs. All 474 dwelling units east of EW 37th Avenue in Phase I and IV of Perry White Homes A and B have been vacated and are ready for demolition.

A sample of the files of relocated families was reviewed to test for compliance with the approved Relocation Plan and corresponding program requirements.

In our prior Monitoring Review Report the following Finding and Observations were noted:

Findings and Observations

Finding: Non-payment of rental assistance to relocatees as required under the approved MHA Relocation Plan consistent with the applicable requirements contained within the Uniform Relocation Act.

Relocated residents are now receiving regular Rental Assistance Payments (RAP), if they are paying more rent than they were paying before RAP payments will continue for a period of 42 months. Retroactive payments have been made and will continue until a maximum amount of \$5,250 is reached.

Status: Based on the Review conducted by this Office, this Finding is closed.

Observation #1: The review of sample relocation files showed that there was no documentation regarding the “Desegregation Offers” made to residents.

A sample of the files of relocated families reflected that each relocatee had acknowledged receiving at least three Desegregation Offers in accordance with the approved Relocation Plan.

Status: Based on the Review conducted by this Office, this Observation is closed.

Observation #2: A review of the sample relocation files revealed that in a number of cases the Agency was paying (1) an amount described as security deposit and (2) a separate amount described as rent deposits. In many of these cases, the amounts of the deposits seemed excessive.

A sample of the files reviewed showed that the payment policy had been standardized to request a maximum of two months’ rent as security deposit.

Status: Based on the Review conducted by this Office, this Observation is closed.

Observation #3: While reviewing the list of residents that had selected to relocate to a public housing unit, the list documented 29 residents waiting to be relocated to public housing units. It was observed that some of those requests were dated four months earlier.

This Observation was closed based on the information submitted in the MHA’s letter dated August 20, 2003, indicating that the 29 residents had been relocated. Our review this year, however, revealed that this list had been re-populated by 16 new residents, and some of the residents have been on the list since May 2003.

It is evident that lack of coordination and communication between MHA’s departments persist.

Recommendation: The MHA must develop and implement a system to ensure that residents, who choose to relocate into public housing units, do so in a more expeditious manner.

Status: Based on the Review conducted by this Office, this Observation is re-opened and is subject to confirmation by Staff from this Office that the recommendation has been implemented.

2. Community and Supportive Services

The Department granted a conditional approval of the Community and Supportive Services Plan in August 2002. The MHA has contracted with the County's Department of Human Services (DHS) to handle case management of relocated residents. As of September 30, 2003, 603 assessments of relocated residents had been completed. Services include: initial assessment, referrals for services and home visits. The September 2003 report from the Department of Human Services (DHS) reflected the following information:

Category	Number of persons
Number of Heads of household Enrolled in Case Management	383
Number of Elderly	77
Number of Disabled	79
Number Receiving SSI	42
Number Employable	341
Number Employed at Enrollment	97
Number of SSI & Employed	0
Number Enrolled; Completed Occupational Training; GED, or Job Readiness	27
Number Employed Received Job Readiness Training	29

Case management services include assessments, occupational skills training, childcare, eviction assistance, training stipends, nutrition assistance, clothing assistance, parenting classes, GED preparation, transportation, job readiness training, medical assistance, placement assistance and home visits.

Observation #4: At the time of the Review the majority of the files reviewed did not document the referral for services.

Status: This Observation was closed based on information submitted in the MHA's letter dated August 20, 2003.

Observation #5: The Department of Human Services (DHS) does not have an office on-site.

DHS has established an office in Perry White Homes A located at 7720 EW 27th Street.

Status: Based on the Review conducted by this Office, this Observation is closed.

3. Program Management and Development

The program Manager (PM) has taken a leadership role in reaching out to the community and in coordinating and monitoring the tasks of the Community and Supportive Services contractors. Also, the PM has successfully trained, employed, and has utilized residents to administer the Beautification Program, which is described in more detail below. The PM's role has been expanded during the past year and is expected to expand further as demolition and construction contracts are awarded.

Budget Line Items

Observation #6: This Office is concerned about the MHA's apparent front-loading of the expenditure of administrative funds. Continued spending at such a rapid rate may result in a shortfall as the Agency nears the end of the grant pre-development period.

The MHA has demonstrated that it has used funds from other sources to cover administration expenses.

Status: Based on the Review conducted by this Office, this observation is closed.

Demolition/Environmental/Site Plan

The 24 CFR Part 58 Environmental Assessment was approved by HUD on May 7, 2003.

Phase I and Phase II analysis were conducted on the properties comprising Perry White Homes. The analysis identified areas that were found to contain higher than acceptable levels of contaminants. A correction plan was prepared by an environmental consultant and submitted to the County's Department of Environmental Management (DEM) for review and approval. The plan consisted of encapsulation by at least two feet of clean fill to achieve conditional closure.

The plan also showed that most of the environmental remediation was concentrated on Phase II of Perry White Homes. The remaining conditions at Perry White Homes Phases A and B, while needing some remediation, were considered not serious.

Part 58 Environmental Assessment Format II was prepared, the Finding of No Significant Impact (FONSI) was advertised, and the authority to use the grants funds was approved by HUD on May 5, 2003.

In addition, asbestos studies conducted showed the developments to have certain material containing non-friable asbestos. The consultants conducting the studies have certified that the wet demolition process can be used for all units and have prepared specifications outlining the requirements for the process.

Phase I Site Work

The site work for Phase I is scheduled to begin no later than January 2, 2004. This is consistent with MHA's Locked Checkpoints. In order to meet this schedule, the following four areas of the project must be completed during the months ending no later than December 31, 2003: plat plan, the site work plans and specifications, the procurement of a site work contractor, and the demolition.

Plat Plan: The final Plat Plan document for Phase I of Perry White Homes has been prepared and is being reviewed by County entities for final approval.

Site Plan Approval: Because the underlying zoning is being used for Phase I, no approval is required.

Historic Preservation Study: The historic preservation study was completed for Perry White Homes. The State and the Metropolis County Historic Preservation Division of the Office of Community and Economic Development approved total demolition.

Site Work Plans and Specifications: Soil, asbestos and environmental testing have been completed. The plans and specifications for site work of Phase I are also completed and have been submitted for fast track permitting to the County's Building Department. These plans include water & sewer drawings, paving & drainage drawings, earthwork and electrical distribution drawings.

Building Plans and Specifications: The preparation of the plans and specifications for the four Single-family model homes and the duplex model is about 75% complete.

Procurement: The procurement process for a site work contractor for Phase I have begun and the Request to Advertise from the County Manager is in place.

Demolition: The selection of a demolition contractor has been finalized. The County Manager is expected to recommend award of the contract sometime in October. After the completion of the compulsory 10-day comment period, with no comments received, the contract will be executed in the first week of November. The first phase will consist of the demolition of 216 units in Phase I and 64 units in Phase II. The first phase of the demolition is scheduled to be complete in 30 to 45 days after contract execution.

Furthermore, 9 bids have been received for the second phase of demolition; this phase calls for the demolition of 259 units of Perry White Homes. The MHA staff is currently reviewing the bids for responsiveness and the contract for the demolition to be awarded in January 2004.

The final plans and specifications for the single-family homes were scheduled to be complete by the end of October 2003. Home construction can begin as soon as the site work contractor can turn over lots pad-ready for construction, which is expected to happen by the end of March 2004.

HOPE VI Target Area Beautification Program

The HOPE VI Target Area Beautification Program begun in June 2002. The program's objective is to landscape and paint the exteriors of over 600 single-family homes in the HOPE VI Target Area, the square mile area encompassed by EW 70th Street on the north, EW 62nd Street on the south, NS 17th Avenue on the east, and NS 27th Avenue on the west. Each homeowner is awarded up to \$4,000 through an MHA forgivable loan. The homeowner is expected to obtain bids and enter into contract with one of a pool of 32 pre-qualified contractors to do the landscaping and painting work under the guidelines dictated by the loan agreement with the homeowner. The MHA will pay the contractor upon the inspection and acceptance of the work by the homeowner and the Agency. To date 408 homes have been beautified under the program at a cost of over \$1.2 million dollars.

This Program has given the MHA an opportunity to pre-qualify small contractors. Thus far, thirty-two minority contractors have been trained, pre-qualified and County-certified to do the work. It is anticipated that these minority contractors will be ready to bid for the painting and landscaping work in the new HOPE VI development.

Community Task Force

The HOPE VI Community Task Force is comprised of local business, civic, and resident leaders. The Task Force continues to meet every other month to discuss the progress of the HOPE VI project and other concerns related to community issues.

Developmental/(Mixed-Finance) Proposal and Evidentiary Materials

Finding: MHA has not met the Locked Checkpoint for submission of the required Mixed-Finance Proposal by February 28, 2003. This is a violation of the Grant Agreement, Article V.

The Developmental/(Mixed-Finance) Proposal was scheduled for submission to the Office of Public Housing by February 28, 2003. The MHA did in fact submit a Rental Term Sheet (RTS) in compliance with that deadline. Our review however deemed the RTS to be deficient and we have so informed the MHA. The Agency is waiting for HUD's approval of the revised Revitalization Plan that includes 40 additional public housing units before submitting a final RTS.

D. Identified Weaknesses and Corrective Action Required

As indicated in this report, there is one Finding and one Observation, which the MHA must respond to within 30 days from the date of this report.

E. Conclusion

The MHA must make every effort to submit a final RTS, that if approved will permit the submission of evidentiary materials in preparation of a closing in order to meet the Required Locked Checkpoint. Additionally, the MHA must immediately take action to resolve the Observation noted in this Report.