Dear Mr. Phillips:

SUBJECT: 2008 Program Year Review Letter
HUD Consolidated Plan Programs

This letter highlights significant achievements made by the City of Escondido utilizing HUD Consolidated Plan program funds, more specifically, the Community Development Block Grant (CDBG) and the Home Investment Program (HOME).

The attached assessment is based upon the City’s 2008 Consolidated Annual Performance and Evaluation Report (CAPER), reports from the Integrated Disbursement and Information System (IDIS) and our review of your five-year Consolidated Plan. The assessment also calls attention to those areas in which the City should concentrate its efforts to improve performance.

If you have any comments, please provide your written comments within 30 calendar days from the date of this letter. We will take your comments under careful consideration. If you have no comments we will proceed to make the Program Year assessment letter available to the public. We also encourage each grantee to share this document with its public. A copy of our assessment should also be provided to your independent public accountant and/or external audit team as required by OMB Circular A-133.

Overall Assessment:

Based upon our review of your CAPER, we have determined that overall performance for the City of Escondido is good. The City of Escondido received a CDBG grant in the amount of $1,709,019 and a Home Investment Partnerships (HOME) grant in the amount of $818,550 in Program Year 2008 to accomplish its goals and objectives.

The City of Escondido appears to have met most of its annual goals for Continuum of Care, Decent Housing and Economic Opportunity. The City is encouraged to continue addressing the needs of its community and the needs of low and moderate-income persons.
Please find enclosed a detailed assessment of the City's performance. If you have any questions, please call John Cook, your Senior Community Planning and Development Representative at (213) 534-2573.

Sincerely,

William Vasquez
Director
Office of Community Planning and Development

Enclosure

cc: Jerry Van Leeuwen, Director of Housing and Neighborhood Services
Roni Keiser, Housing Manager
CITY OF ESCONDIDO
DETAILED ASSESSMENT OF PERFORMANCE
2008 PROGRAM YEAR

We have organized our conclusions about the City's performance in the following categories: Consolidated Plan, Continuum of Care, Decent Housing, Economic Opportunity, Program Requirements and Single Audit Issues.

Consolidated Plan

The 2008 Program Year marks the fourth year of the City's five-year Consolidated Plan. The City pursued local, federal, state and private resources as indicated in its strategy to address the priorities and objectives described in the Consolidated Plan. Activities and accomplishments during the Program Year 2008 are consistent with the Consolidated Plan goals and strategies. The City reached or exceeded their fourth year goals for most of their priorities of the Consolidated Plan.

Continuum of Care
Good Performance

The City's comprehensive strategy for continuum of care is to address the needs of the homeless and non-homeless special needs population. The City's strategy is comprised of activities to address emergency and transitional housing; persons at-risk of becoming homeless; persons in transition from homelessness to permanent housing; and persons in permanent housing to transition from renting to ownership.

The City utilized a variety of funding resources to address the Continuum of Care Strategy. These sources included: the Supportive Housing Program (SHP), Shelter Plus Care, CDBG, HOME, Redevelopment, General Fund, County ESG and HOPWA, FEMA, VA, HHS, and Department of Labor. These funds provided housing and supportive services for homeless families and a variety of special needs populations such as homeless persons with alcohol and drug problems, woman and children fleeing domestic violence, chronically mentally ill homeless individuals and homeless veterans. Specific accomplishments included: health and dental services, food services, emergency shelter, transitional housing, self-sufficiency transitions for homeless families, housing and nursing care for AIDS patients, and assistance with permanent housing options.

In 2007, the City participated in the development of a Regional Winter Shelter Plan for north San Diego County. The result was a Regional Winter Shelter Plan successfully negotiated and adopted by all the North County cities. In FY 2008-2009, the procedures developed in the preceding year were continued and refined providing improved access to services for 2343 of Escondido's homeless population.

During the program year, 24 individuals (three from Escondido) disabled by AIDS were provided 24-hour nursing care. Also during the year, the City provided buildings and property leases for $1 per year to several more organizations that provide
services to the homeless. The estimated value of these leases was over $140,000 for FY 2008-2009.

Decent Housing
Good Performance

The City utilized CDBG, HOME, Section 8 certificates/vouchers, SHP, tax credits, redevelopment housing set-aside, FEMA, Mortgage Credit Certificates (MCC) and local and private funds to provide and retain affordable housing for low-income residents. Of the six housing priorities, all but one met their projected accomplishments during the program year or the preceding program year. Listed below are the City’s annual achievements related to providing decent housing during the program year 2008 and their related five-year accomplishments.

The City did meet their one-year goal for priority #1 of increasing homeownership opportunities. The five-year goal for the development of 36 new affordable ownership units was met last year. The City was able to provide 70 Homebuyer Entry Loan Program (HELP) loans and therefore greatly exceeded their established annual and five-year goals. Also during the year, eight Mortgage Credit Certificates (MCCs) were issued. This met the yearly goal of four MCCs and exceeded the fourth year cumulative total for their five-year goal.

Housing priority #2 missed the one-year goal to provide 25 loans to conserve the supply of existing ownership units by 3 loans. During FY 2008-2009, 22 loans were funded to existing owner households for needed rehabilitation. Rehabilitation was completed for six single-family homes and 16 mobile homes. Although the City did not meet the annual goal, they exceeded the cumulative four-year goal expectation.

Housing priorities #3, #4 and #5 deal with expanding and improving the stock of affordable rental housing. The City exceeded the five-year goal of 80 units with the completion of Las Ventanas and Serenity Village. These two projects provided 86 affordable units. The So Cal Senior Project is currently in the development stages of producing an additional 60 affordable units which will result in a total of 146 units.

The final housing priority #6 is to expand the supply of three and four bedroom units. The annual and five-year goals were exceeded with the completion of two rental and two ownership projects during the preceding year.

Suitable Living Environment
Acceptable Performance

The City utilized CDBG funds for public service and public facilities and improvements. The City expended $280,948 in public service activities to serve youth, AIDS patients, childcare services, seniors, counseling services, and health care employment training. The City also expended $721,259 of CDBG funds for public
facilities and improvements for neighborhood improvements, street and sidewalk improvements and public facility repairs.

Economic Opportunity
Good Performance

Priority 2 for Community Development Projects is to provide economic development opportunities for Mission Park area residents to increase their employment opportunities. During the program year, CDBG public service funding was used to provide childcare subsidies to 57 “working Poor” children, family counseling and parent training to 97 children and their family members, and employment training related to health care for 852 residents.

The City’s Business Retention and Expansion Program (BREP) has been in existence for 16 years. Due to organizational changes at the City in early 2009, the BREP was transferred to the Escondido Chamber of Commerce which operates the program on a smaller scale. Businesses still receive personal visits. Generally the visits have focused on the key City employers and tax revenue generators that are in distress due to the recent economic downturn. An essential element of the Program is a concerted effort to facilitate the expansion and retention of existing Escondido businesses. This is important because these businesses provide the majority of the job growth, as well as stability for existing jobs in the community.

The City partnered with the Chamber of Commerce and the Small Business Development Center (SBDC) to provide free-of-charge business seminars. Also, the EDD continues to actively recruit new businesses as part of the revitalization strategy for targeted commercial districts, and to provide additional high paying jobs. Market information, business recruitment marketing packages, and site location assistance is provided to attract new businesses. As a resource, the “Escondido At Your Service Business Resource Guide” and a similar publication “A Sus Ordenes” are made available on the City’s website.

Targeted commercial areas are often adjacent to residential areas that provide rental housing and small homes for low-income households. Therefore, efforts to upgrade the business environment are paralleled by efforts to improve the neighborhoods since their environments affect each other. The City has been actively revitalizing neighborhood infrastructure (curbs, sidewalks, better and more plentiful street lighting) with City CDBG and Capital Improvement Budget funds. As a result, there are safer and more pleasant neighborhoods for residents who can walk to nearby shopping, work at nearby businesses, and have the ability to influence positive changes in their neighborhoods.

The Escondido Business Enhancement Zone (BEZ), established in 2000, has continued to be a catalyst for significant private investment and as a business attraction tool. BEZ incentives are available to all business properties in Escondido, provided they meet the public benefit criteria. Incentives are granted on a case-by-case basis by the
City Council. Closely tied to the BEZ is the ongoing Façade and Property Improvement Program. The Program offers matching grants of $5,000-$10,000 for exterior business and property improvements.

The Mercado Business District is located in the urban core of the City and within a low-mod census tract. The Mercado Business Association has seen positive changes in their business district. The City has received a SANDAG grant to supplement the City funds earmarked for Mercado area improvements. The revitalization taking place is benefiting residents and businesses alike by creating a walkable community that is safe, clean and economically viable.

Program Requirements
Acceptable Performance

The projects undertaken with CDBG funds were reviewed for eligibility and compliance with regulatory requirements. Expenditures were reviewed for compliance with the public service and administrative caps. Overall expenditures were reviewed for productivity, program beneficiaries and timeliness. Based upon available information provided, as of June 30, 2009, the City appears to have met all of the above requirements.

During the program year, the City obligated $347,173 on public service projects. The obligation amount of 14.99% is within the acceptable level of 15% for the CDBG public service cap.

The CDBG planning and administration cap was within acceptable levels. During the program year, the City obligated and expended $325,650 on planning and administration projects. The obligation amount was 19% of the available funding, which is within the 20% limit.

During the program year, the City received $36,351 in HOME program income. This income was expended on existing activities during the program year. CDBG program income of $5,250 was received during the program year yet had been applied to last year’s report.

During the program year, the City’s HOME match liability was $171,002. The City continues to have a carry over of excess HOME match totaling close to $3.475 million even though the City did not contribute match during the program year.

As of November 19, 2009, the City’s CDBG timeliness expenditure ratio was 2.33. This is above the acceptable ratio for CDBG timeliness in November. The City will need to expend $1,444,070 by April 30th, 2010 to meet the regulatory requirements for timeliness expenditures.

The City is reminded that the HOME regulations at 24 CFR 92.500 require that all HOME funds be committed within 24 months and expended within 60 months. Participating jurisdictions failing to meet these requirements will have funds recaptured
by HUD. We will continue to review your overall performance in IDIS on the
anniversary dates of your commitment and expenditure deadlines.

**IDIS Reporting**
*Acceptable Performance*

The City utilized the IDIS system to manage its CDBG and HOME programs in
Program Year 2008. The City’s input into the database was sufficient to generate
substantive reports from the IDIS reporting module. The City is reminded to update the
accomplishment data information at quarterly intervals to allow HUD and local
stakeholders to evaluate performance information and obtain up-to-date program
information on a routine basis.

**Other HUD Programs**

The City contracted with the Center for Social Advocacy (formerly Heartland
Human Relations) to provide comprehensive fair housing services. The City’s 2008
program year fair housing activities and actions taken to address the impediments
identified in its fair housing analysis (AI) are being reviewed by the Civil Rights
Division. The results of the review will be addressed under separate cover.

**Single Audit Issues**

In addition to the typical areas reviewed during the annual single audit, we would
highlight the following program areas for audit consideration:

Sub-recipient Activity and Commercial Contracts. Examine the recipient's system for
monitoring sub-recipients and commercial contracts.

Eligibility and National Objectives. Identify eligible activities funded with CDBG funds;
test expenditure and related records; for selected activities, review documentation
showing how national objectives are met.

Planning and Administrative Cap. Ascertain the total amount of grant and program
income. Review the financial records to determine the amount expended for planning
and administration.

Environmental Review. Select a sample of projects on which expenditures have been
made and determine whether environmental reviews have been performed in
conformance with 24 CFR Part 58.34-35.

Acquisition and Relocation. Select a sample of completed projects involving acquisition
of real property, particularly existing homeowner and rental property. Determine that
property owners and/or tenants were provided with proper notices and compensation
under the Uniform Relocation and Real Property Acquisition (URA) Act and Section
104(d).