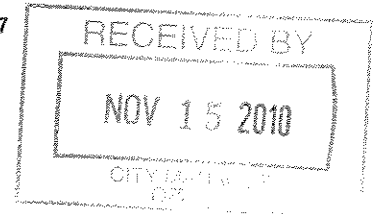




U.S. Department of Housing and Urban Development
Los Angeles Area Office, Pacific/Hawaii
611 West Sixth Street
Los Angeles, California 90017



Clay Phillips
City Manager
City of Escondido
201 North Broadway
Escondido, CA 92025

NOV 10 2010

Dear Mr. Phillips:

SUBJECT: 2009 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 2009 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 \$1,732,912 and a Home Investment Partnerships (HOME) grant in the amount of \$916,594 in Program Year 2009 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
2009 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 2009 Program Year marks the fifth and final 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 2009 are consistent with the Consolidated Plan goals and strategies. The City reached or exceeded their fifth 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, 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.

During the program year, \$33,300 of CDBG funding was expended for the Regional Winter Shelter Program assisting a total of 145 homeless individuals. The total persons served of 561 during the five-year period exceeded the plan's five-year goal.

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 or came close to meeting their projected accomplishments during the five-year plan period. Listed below are the City's annual achievements related to providing decent housing during the program year 2009 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 45 Homebuyer Entry Loan Program (HELP) loans and therefore greatly exceeded their established annual and five-year goals. Also during the year, seven Mortgage Credit Certificates (MCCs) were issued. This exceeded the yearly goal of four MCCs and exceeded the five year cumulative total for their five-year goal. Overall, a decrease in home prices contributed to an increase in the number of first-time homebuyers assisted.

Housing priority #2 missed the one-year goal to provide 25 loans to conserve the supply of existing ownership units. During FY 2009-2010, 13 loans were funded to existing owner households for needed rehabilitation. Rehabilitation was completed for 13 mobile homes. The City did not meet the annual goal and barely missed the five-year goal of 125 units. A total of 122 units were rehabilitated during the five-year period or 98% of the goal for this priority. A lack of home equity of the loan applicants was one reason for the failure to meet the five-year goal.

Housing priorities #3, #4 and #5 deal with expanding and improving the stock of affordable rental housing. The City exceeded the five-year goal for priority #3 of producing 80 new, affordable rental units with the completion of Las Ventanas and Serenity Village which provided 86 affordable units. An additional 60 affordable units are expected to be completed this current program year. The City fell short of meeting the five-year goal for priority #4 which is to provide 1,550 rental subsidies annually. A total of 1,448 rental subsidies were provided to Escondido residents. Priority #5 had no defined numerical goals.

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 years.

Suitable Living Environment

Acceptable Performance

The City utilized CDBG funds for public service and public facilities and improvements. The City expended \$239,657 in public service activities to serve the homeless, seniors, counseling services, computer access, swimming training, and health care employment training. The City also expended \$1,828,080 of CDBG funds for public facilities and improvements for neighborhood improvements, street and sidewalk improvements, public facility repairs and acquisition of a building for a neighborhood center.

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, including job training, job search assistance and access to affordable childcare.

During the program year, CDBG funding of \$27,404 was used to provide health care employment training that resulted in 59 young women graduating from the Certified Nurses' Assistant Program. An additional 1,380 people received assistance related to information for job training at job fairs and informational workshops.

Also during the program year, a new program was implemented at the Escondido Public Library which provided computer access for individuals seeking job information, writing resumes, applying online for unemployment benefits and other workforce related community resources. CDBG funds totaling \$18,420 were expended assisting 247 individuals of which 14 secured employment.

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, 2010, the City appears to have met all of the above requirements.

During the program year, the City obligated \$254,500 on public service projects. The obligation amount of 14.6% 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 \$321,303 on planning and administration projects. The obligation amount was 18.5% of the available funding, which is within the 20% limit.

During the program year, the City receipted \$78,707 in HOME loan payoffs. Of this amount \$64,352 came from program income while \$14,355 came from recaptured funds. This income was expended for more HELP loans and some administration.

During the program year, the City's HOME match liability was \$152,569. The City continues to have a carry over of excess HOME match totaling close to \$3.477 million even though the City did not contribute match during the program year.

As of November 3, 2010, the City's CDBG timeliness expenditure ratio was 1.73. This is within the acceptable ratio for CDBG timeliness in November. The City will need to expend \$430,005 by April 30th, 2011 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 2009. 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 to provide comprehensive fair housing services. The City's 2009 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).