

City of Gaithersburg

Consolidated Annual Performance and Evaluation Report (CAPER)

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

JULY 1, 2013 THROUGH JUNE 30, 2014



Gaithersburg

A CHARACTER COUNTS! CITY

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Executive Summary

This document is the City of Gaithersburg's Consolidated Annual Performance and Evaluation Report (CAPER) for federal program year 2013 (July 1, 2013 to June 30, 2014),¹ which the City is required to submit to the U.S. Department of Housing and Urban Development (HUD) as a Community Development Block Grant (CDBG) entitlement grantee. The CAPER is prepared to assist HUD, local officials, and the public evaluate Gaithersburg's overall performance using these federal funds. This is the City's first CAPER under its approved Consolidated Plan for the five-year period July 2013 - June 2014. An evaluation is required to be completed within 90 days following each of the five years approved under that Plan.

This report describes actions taken during the year that addresses Gaithersburg's objectives and areas of priority identified in its Consolidated Plan. An assessment of the City's Priorities, Objectives, and Proposed Accomplishments, as set forth in its Strategic Plan (Chapter 4 of the Consolidated Plan), is included for each objective, showing accomplishments in meeting the objective. Further, it specifically addresses the manner in which the City supports affordable rental and ownership housing, particularly for low- income, homeless and special needs residents. Gaithersburg's CAPER also describes how other public and private resources are used to address Consolidated Plan priorities, and provides a self-evaluation that assesses Gaithersburg's performance and identifies ways the City can improve based on its experiences as a CDBG entitlement community overall.

For the year ending June 30, 2014, the City expended formula entitlement HUD funds solely under CDBG. Other formula funds designated for the community go directly to the Montgomery County Department of Housing and Community Affairs, and include funds under the Emergency Solutions Shelter Grant (formerly Emergency Shelter Grant) and the Home Investment Partnership Program (HOME). HOPWA formula funds are administered by the State of Maryland, although the HOPWA grantee is the City of Frederick (the largest municipality in the Washington-Bethesda- Gaithersburg metropolitan statistical area). The City receives no funds under these formula programs, although presumably Gaithersburg residents benefit from those programs through other means. The City received no Program Income in FFY2013.

Because federal funding is so limited, the City must depend on local (i.e., City and County), State and other private resources to serve low-moderate income and special needs households, the target populations for CDBG. In addition to describing how CDBG funds were used during the program year, the distribution of other funds is also included as together they support the objectives outlined within the Consolidated Plan. During this program year, the City of Gaithersburg spent nearly \$800,000 of its own funds to support non-profit agencies, schools and other community groups working on behalf of our most vulnerable households, particularly in terms of addressing poverty, providing shelter for homeless persons, and improving financial self-sufficiency. Despite reduced revenues coming into the City, funds awarded to the non-profit community have not experienced an offsetting reduction. In fact, FFY13 (City's FY14) saw the highest level of financial assistance ever for programs of this kind as additional funds were allocated for new and innovative emerging programs.

Although the housing market slowed dramatically beginning in 2008, the City continues to promote affordable housing programs to low and moderate-income households as one of its primary objectives. This reporting year saw the largest number of Gaithersburg Homebuyer Assistance Loans (GHALP) to date. Twelve buyers received these funds, ten of whom qualified for CDBG assistance based on their gross household income. Program 2014 is on pace to exceed those numbers based on loans issued through August 2014.

Since adopting an inclusionary zoning ordinance in 2006, new residential construction (requiring compliance with the City's law) has been slow to move forward, particularly for homeownership. Currently, the City has four multi-family rental properties with the full complement of MPDUs (i.e. 15 percent), for a total of 141 affordable units, all of which are in outside of long-time concentrated areas of poverty such as Olde Towne, and instead, widely dispersed throughout the City.

KB Home is currently offering 12 affordable homeownership units, six of which are priced as MPDUs and six at WFHU pricing. These units are priced to be affordable to households at 70 percent and 90 percent of AMI, respectively. The units came online at the same time as units at Crown Farm, a property annexed by Gaithersburg in 2005 prior to the adoption of its own MPDU laws. Therefore, the Montgomery County Council required that the property comply with the provisions of Chapter 25A (The County's MPDU law). At the time of this report, two MPDUs and one WFHU at Summit Hall Reserve have been sold; another four are under contract with qualified buyers. By comparison, 11 MPDUs have been sold or are under contract with four builders at Crown Farm, namely KB Home (six units), Ryland Homes (six units), Pulte Homes (13 units), and MI Homes (two units). These units are placed under contract with eligible buyers following a lottery held by the City. Buyers must have incomes at or below 70 percent of Area Median (\$107,000 for a household of four), be first-time homebuyers (i.e. not have owned a home for five years), and be able to qualify for a first-trust loan from an approved lender.

An assessment of housing affordability undertaken last year demonstrates that Gaithersburg has a large number of "affordable" market-rate units. Although the median gross rent is \$1,357, just slightly below the median gross rent for Montgomery County of \$1,404, many of the older Class "B" and "C" apartment complexes, particularly those built before 1991, have median rents of \$1,100. In fact, many "market" rate rental units are less costly than the MPDU rents established by law. Utility costs, however, are generally higher at these properties, increasing overall housing costs significantly, and placing a financial hardship on low-income residents.

FFY13 Projects

During the program year ending June 30, 2014, the City drew down \$398,131 in CDBG funding,

During this period, the City completed two capital projects: (1) the interior renovation of the B&O train station, built in 1894 and listed on the National Register of Historic Places; and the Wells/Robertson House interior project, which relocated staff and created a medication dispensary and records retention center, both critical to security issues. The City issued 12 closing cost and downpayment assistance loans under the Gaithersburg Homebuyer Assistance Loan Program (GHALP), which couples City and HUD funds of up to \$20,000 to assist low and moderate income first-time buyers to purchase their first homes within Gaithersburg. City funds alone were used in two cases, as the buyers household income exceeded 80 percent of Area Median (AMI), and therefore not eligible for CDBG. Ten first-time homebuyers did qualify, and City and HUD funds together totaled \$222,738. (See Tables Attached)

This year, the City dedicated its public service funds to subsistence payments on behalf of 34 low-income City households at risk of eviction or utility disconnect through direct payments to the landlord or utility company. In partnership with a local non-profit agency, the City funds a full-time bi-lingual housing counselor who provides one-on-one counseling to 73 families; such counseling includes eviction prevention coupled with efforts to locate appropriate, affordable housing for many residents who are over-housed or "rent burdened" (i.e., paying more than 30 percent of their incomes to rent and utilities). Although HOC also has a housing counselor on staff (who serves HOC residents exclusively), this program is unique within the County. Other County housing assistance programs, including the Rental Assistance Program (RAP), are not taking new applications, adding to the housing burden affecting thousands of City and County residents.

As permitted under CDBG rules, public service funds may be used for “emergency grant payments made over a period of up to three consecutive months to providers of items or services on behalf of an individual or family.” In the program year ffy12 and ffy13, the City contracted with Upper Montgomery Assistance Network (UMAN), which has a long history of providing short-term rent and utility assistance to residents of the City of Gaithersburg and Montgomery County. Under the terms of the Contract, UMAN would provide case coordination to approximately ten City households and provide oversight of the emergency assistance funds in an amount not to exceed \$500 per month per household for a maximum of three months. Moreover, UMAN agreed to provide these services at no cost to the city, with payments made directly to the landlord.

As the City used no CDBG funds for sub recipient contracts this year, monitoring reviews were not required. However, the City still set up end-of-year monitoring visits with Family Services, Inc. to review the programs, and to ensure that the residents met the low- moderate-income requirements. The City has executed new contracts with both agencies to continue this work. The contract with Family Services, Inc. requires at least 75 households be served through bi-lingual housing counseling services, and City funds are used exclusively to fund this program. Of that number, the City anticipates between 30 and 40 will require financial assistance, and those expenses are funded through the CDBG public service activity.

Summary of CDBG Resources and Distribution of Funds

(a) Subsistence: (\$35,571)

Payments made directly to landlords and/or utility companies. In partnership with Family Services, Inc., Wells/Robertson House and the Upper Montgomery Assistance Network, the City served 34 extremely low and low-income households this year with financial assistance coupled with housing counseling to prevent eviction and utility disconnection, and to assist with rent in urgent need cases (i.e., related to medical crisis, loss of income or other emergency). The City has determined that this project- especially during this time of high unemployment and under employment is extremely valuable and plans to continue funding it. City funds support a full-time bi-lingual housing counselor, who works with City residents on stabilizing their housing and addressing any financial crises. HUD funds were used to provide emergency financial assistance to maintain housing for 22 households through Family Services, Inc, and another eight households from the Upper Montgomery Assistance Network for \$500 for each of three months. Overall, 73 City households received some level of one-on-one housing counseling. A new component that was added last year includes a requirement that any household receiving financial assistance participate in budget counseling. In the past, such counseling was offered, but not required.

Amount Expended:.....\$35,571
Outcome:.....Availability/Affordability
Number of households intended to serve:.....25
Number of households served with financial assistance:.....34

(b) Capital Improvement Projects:

(1) B&O Train Station ADA Renovation Project

Status of Project:.....Complete
Performance Measure:.....Suitable Living Environment
Outcome:.....Sustainability
Number of Persons:.....508

Using both State funds through a Community Legacy grant (\$80,000) and CDBG funds, the City

undertook renovations to this historic property that included relocating and expanding two public restrooms to make them fully compliant with ADA requirements. These are the only two public bathrooms in Olde Towne for residents and visitors, alike.

As a historic building, the State Historic Preservation Office (SHPO) was required to review both interior and exterior plans for compliance under an easement agreement with the State. As such, it was necessary to move some of the HVAC systems to another area of the building. In addition, the project included installing grease interceptors in the kitchen area to comply with recent Washington Suburban Sanitization Commission (WSSC) regulations.

(2) Wells/Robertson House Renovation Project

Status of Project:..... *Complete*
Performance Measure:..... *Suitable Living Environment*
Outcome:..... *Sustainability*
Number of Persons:..... *14*

During this program year, the City undertook renovations to the property that included creating a secure records management office and medication dispensary, and relocating the program director to an office elsewhere in the House. As part of its due diligence under NEPA, Gaithersburg contracted for an extensive sound study for the property, which is located within 1,000 feet of a railroad line. The Study results indicated that the building window and doors are the primary transmission path for sound, and provided three options for treating the windows and doors, ranging in price from \$150,000 - \$290,000. The City does not have available funds for such treatment; further the least expense option at \$150,000, would only achieve a reduction of 5dBA, which at this time the City is unlikely to pursue. Grant funds were also used for furnishings of the dispensary and conference room where Wells trainings are offered to the residents as well as staff and resident meetings are held.

(c) Down payment and Closing Cost Assistance (\$110,989)

After several years of sluggish performance, this program became very successful during the year ending June 30, 2014. During this 12-month period, the City issued loans to 12 households for a total of \$222,739 (an average of \$18,562 per homebuyer), of which \$110,989 were CDBG funds and \$111,750 in City funds. To date, 39 first-time homebuyers have participated, including 17 displaced residents. Of the 12 households assisted with funds through a zero percent deferred loan, three of the households reported as White/Latino; one reported as African American; one as “other”; two as Asian; and five as White only.

Performance Measure Objective:..... *Decent Affordable Housing*
Status:..... *On-going*
Outcome:..... *Affordability*
Amount Budgeted (HUD and City funds):..... *\$210,000*
Amount Spent (City funds):..... *\$111,750*
Amount Spent (HUD funds):..... *\$110,989*
Households Assisted:..... *12*

(d) Administration (Budgeted: \$67,071)

Grantees are permitted to spend up to 20% of its annual allocation towards planning, administration and other costs associated with overseeing this federal program. Generally, eligible costs include salaries/benefits of staff overseeing the programs, advertisements and notices, single audits, and staff salaries on preparing reports and other documents required by HUD. Funds allocated to this category not drawn down during the year are no longer available under the Planning and Admin category, but are available to be used for other eligible projects. Amount expended: \$67,069

Outside Resources and Distribution of Funds

Given the limited CDBG funds available, the City also pursues outside funding to further the objectives of the Consolidated Plan consistent with the City's overall objectives that include improving its housing stock for the most vulnerable populations, maintaining partnerships with the Housing Opportunities Commission (HOC), and Montgomery County on affordable senior housing, and pursuing other affordable housing and community development initiatives. For the 27th consecutive year, HUD has renewed the City's Supportive Housing (under the HEARTH Act) grant which provides approximately 45 percent of operating and case management costs of Wells/Robertson transitional housing program. In FY13, Wells/Robertson House provided up to two years of housing and supportive services to 30 formerly homeless City residents. This program is unique to Montgomery County, and is critical to the success of the County's Continuum of Care. Although HUD funds have remained stable (approximately \$123,000 per year), the costs of running the program have increased significantly over time. In the program year ending November 30, 2013, The City provided \$370,834 (75 percent of overall funding) in local dollars to the operating and supportive services costs of a 24 hour/seven-day-week program.

In September 2009, the City was awarded \$578,000 from the Department of Energy (DOE) under a program entitled "Energy Efficiency and Conservation Block Grant" (EECBG). Similar to CDBG-R, these stimulus funds were made possible under the American Recovery and Reinvestment Act, and awarded to jurisdictions based on a formula. These funds were used at three City-owned facilities: Public Works at 800 Rabbit Road, the Activity Center at Bohrer Park, and at the Olde Towne Garage. Based on metrics developed for the EECBG program, the City anticipates a minimum of energy cost savings of \$83,000 per year.

Other federal funds awarded to Gaithersburg during FFY13 included funds for the purchase of ballistic vests for Police Officers, and grants from the Department of Justice COPS office for license plate readers (\$75,000) and safety cameras for Olde Towne (\$116,100).

While reduced federal, state and local revenues continue to present enormous challenges to jurisdictions, the needs of low-moderate income households are greater than ever, and important infrastructure and other quality-of-life needs are increasingly falling on local governments and municipalities. Cutbacks in State and County funds for critical transportation projects and local policing efforts have had a significant effect on the City's operating and capital budgets. These reductions have already affected several City capital projects, namely, the construction of a new Senior Center -- budgeted several years ago -- has been postponed indefinitely; and the design and construction of a new police station and an indoor recreation and swim center have also been cancelled. The effects of the recession, including large numbers of foreclosures, vacant commercial properties and curtailing of new development opportunities, have all contributed to the City's delay in design and construction of these projects.

As a small municipality, Gaithersburg competes for federal and state funds with jurisdictions much larger than itself. HOPWA grant funds no longer come to Gaithersburg for dispersal for housing assistance on behalf of persons with HIV/AIDS has not been reduced. The City of Frederick is the grantee, and the oversight and administration for the County is under the State of Maryland's Department

of Health, Hygiene and Mental Health (DHHMH).

Public Participation

Prior to submitting this report to HUD, the City of Gaithersburg made the draft available for comment and review for the required 15 days and, in accordance with our Citizen Participation Plan, took steps to encourage public input. This section provides an overview of the requirements of Gaithersburg's Citizen Participation Plan and summarizes steps the City must take to make the report widely available and ensure that residents have an opportunity to review and comment on the draft. It also describes community consultation efforts.

Citizen Participation Plan Requirements

The City's Citizen Participation Plan includes requirements intended to make the public aware of information included in the Annual Performance Report. In particular, the Plan requires that the City provide citizens, units of local government, public agencies, and other interested parties a reasonable opportunity (at least 15 days) to review and submit comments on the annual performance report. Comments on the performance report may be provided at a Mayor and Council meeting, in writing, in person, or by email, phone, or fax. The City will consider and summarize all comments received.

Public Comment Period and Community Consultation

To ensure widespread availability of its draft Annual Performance Report and to encourage public input on the draft, the City made the Report available for review at four public places in the City. A notice of the draft CAPER's availability for review and comment appeared in the Gaithersburg Gazette on Wednesday, September 10, 2014, identifying locations where the draft would be available for review and providing instructions on how to obtain a copy, and specifies that comments "provided in person or in writing, by mail, fax, or email, and received by September 27th 2014 {would} be considered, and that all comments {would} be summarized and submitted to HUD with the CAPER.

In addition to City Hall, the Senior Center, and the public library, Gaithersburg locations included the City's Community Services Division. The City's Community Services Division collaborates with more than 80 non-profit and other community organizations, and sees residents by appointment and walk-ins. By making the draft CAPER available at these locations, the City expands awareness of information in the report and provided greater opportunity for public interest and comment. The City also posts the report on its website. As of close of business, Friday, September 27, 2014, no comments were made on the draft Plan.

Copies of the draft CAPER were made available at the following locations from September 11, 2013 through September 27, 2014:

City of Gaithersburg
City Hall
31 South Summit Avenue
Gaithersburg, Maryland 20877

City of Gaithersburg
Community Services Division
1 Wells Avenue
Gaithersburg, Maryland 20877

Gaithersburg Upcounty Senior Center

80 A Bureau Drive
Gaithersburg, Maryland 20877

Quince Orchard Library
18531 Quince Orchard Boulevard
Gaithersburg, Maryland 20878

Self-Evaluation

The execution and monitoring of public service grants consumed much staff time over the past decade; and public service grantees require considerable support in reporting on these projects. Unlike the City's own non-profit grant program, funded with local dollars from the City's operating budget, and which provides funding each year to support ongoing non-profit programs, CDBG public service funds may be used only to either increase the level of services or to establish new programs. In preparing the FY13 budget, the Housing and Community Development Director and the Finance Director met with the City Manager and staff of Community Services to determine if there was a more efficient way to distribute funds on behalf of low income City residents. Following a series of meetings among staff, the City Manager and Finance Director agreed to increase City funds to support non-profit grantees by the same amount of public service funds being eliminated. This decision had a two-fold benefit: less time required by staff for oversight of the programs, and less burdensome requirements on the grantees. During budget hearings for the fiscal year 2014, staff and grantees all agreed this was a much preferred way of getting equivalent funds out into the community, and will continue this same model.

The closing cost and downpayment assistance program had its most successful year during the period July 2013-2014 as twelve eligible buyers were able to purchase their first homes. Although the priority is to serve low and moderate income homebuyers achieve homeownership, the reality is that very few low income households can afford to purchase a home in an area with high housing costs. Of the 12 buyers, only two had incomes below 50 percent of Area Median, thus qualifying as "low" income. Eight qualified as moderate income (between 50 and 80 percent of AMI), and two had incomes between 80 and 100 percent of AMI, which is the maximum for City funds alone to be used. The City will continue to financially support this program as the Mayor and Council are very much in favor of increasing homeownership among this population. Although nearly evenly split in PY2013, more City funds were used than those provided under the CDBG program (111,750 and \$110,989, respectively).

The City has met its timeliness factor every year except during 2009 – 2010, when several projects were stalled or delayed. Gaithersburg anticipates meeting the timeliness requirement in May 2015, as it did in May 2014. The vast majority of households and persons served through CDBG public service funding this year were extremely low or low income (i.e., 50 percent or below of AMI). As to race and ethnicity, public service grantees served primarily minority households. Since the 2000 Census Gaithersburg has been a majority "minority" community, whereby fewer than 50 percent of the residents are "white only (i.e., non-Latino).

HUD conducted a monitoring review of the City's CDBG program in April 2014, including its public service activities and financial administration. A copy of that report is enclosed.

Census data from 2010:

Race	2000 (%) Census	2010(%) Census	Percent Change +/-
Hispanic/Latina	19.8	24.2	+ 4.4
White (only)	49.1	40.0	- 9.1
Asian	13.7	16.9	+ 3.2
Some other Race	3.0	.6	- 2.4
Black or African American	14.2	15.5	+ 1.3

Of the 34 households that received subsistence payments (rent/utility assistance) through the housing counseling program this year, 12 households identified as Black/non-Latino, 18 as Hispanic, and one as Asian/Pacific Islander. Two were elderly (62+), one “frail elderly, and four with disabilities, as reported on the FFY13 Annual Benefit Data Report.

In terms of income, the greatest number of clients who received financial assistance qualified as extremely low income (up to 30 percent of AMI). Without an exception granted, all households receiving rental or utility assistance must have a workable plan in place to retain their housing for up to a year. Clients were also referred to Catholic Charities for employment and vocational services, and most families were referred to food banks, for prescription assistance, clothing centers, health centers and medical assistance.

Limited Clientele: Geographic Distribution and Location of Investments

Gaithersburg's CDBG expenditures in program year 2013 were concentrated in Census block groups with high percentages of minorities and low- to moderate-income families. Locations of Gaithersburg's actual CDBG expenditures, for public service as well as capital projects, in the period from July 1, 2013 to June 30, 2014 were as follows:

Table: Location of Projects	
Grantee	Location and Description
Emergency subsidy payments	Direct assistance to families whose income is LMI (= < 50) percent)
B&O Train Station	9 Summit Avenue Renovations to include installing new ADA public restrooms and meeting new federal and state EPA requirements.
Wells/Robertson House – 1 Wells Avenue, Gaithersburg, MD 20877	Transitional Housing program. Every resident meets the HUD definition of homeless.

General CAPER Narratives

Assessment of Five- Year Goals and Objectives from Strategic Plan including accomplishments achieved and explanation as to why certain goals have not been met. This section of the CAPER examines the status of the priorities outlined in Gaithersburg's Strategic Plan (Chapter 4 of the Consolidated Plan):

(a) Priority A. Priority Needs for Homeless Persons

Federal funds under the HEARTH Act (Formerly, McKinney-Vento) come to Gaithersburg directly to support the Wells/Robertson House transitional housing program. Although no

CDBG funds were used for housing services or for operating and case management of the project, CDBG funds were used to undertake a sound study to determine the decibel level at the House. install a new HVAC system at the property last year. In FFY13, 30 formerly homeless persons found stable housing and supportive services at Wells. (Including one handicapped accessible unit, this program can house 14 persons at any one time.) The City owns this facility as well as DeSillum House, which provides permanent supportive housing for four graduates of the Wells program.

Seneca Heights Apartments, a transitional and permanent housing facility located within the City limits, provides case management and other supportive services to the 17 families and 41 singles living at the property. In addition to HUD funds, Montgomery County and the State of Maryland also provide debt service and operating support. The City's Housing and Community Development Director represents the City on the Board of Governors. As with Wells/Robertson House, Seneca Heights Apartments is a unique housing program within Montgomery County, and has won numerous awards for its innovative approach to addressing homelessness. Last year, the Board approached Montgomery County with a request to adopt a permanent housing model for the 17 families formerly part of the transitional housing program in the Continuum of Care. That request was approved, and the property is now a Permanent Housing Apartment complex.

The City participates in the Montgomery County Consortium of Care (COC) and attends monthly TEAMing and other COC meetings. Gaithersburg also contributes financially to the County emergency shelters and other transitional housing programs that provide services to homeless families and single adults. Through its non-profit grants program, the City supports housing programs of the Montgomery County Coalition for the Homeless, Home Free USA in the area of foreclosure counseling), National Center for Children and Families, the Rainbow Women's Shelter, Stepping Stones Shelter and the Upper Montgomery Assistance Network.

Montgomery County government provides the lead in homeless services, and directs the single point of entry for both homeless single adults and homeless families through the Department of Health and Human Services. Under the County programs, there are four emergency shelters for singles; three shelters for families with children; eight transitional facilities for singles (including Wells/Robertson House); five programs that offer daytime and outreach services; and seven soup kitchens and churches providing breakfast, lunch and/or dinners. St. Martin's Soup Kitchen - which provides free nutritious meals every day of the week - is located in the basement of a Catholic church at the corner of South Frederick and Summit Avenue, two blocks from Olde Towne.

The City funds a number of City and County programs that help the homeless (i.e., in shelters, transitional and permanent housing facilities), persons who are not homeless but require supportive housing, and persons at risk of becoming homeless. Through funding provided under the City's nonprofit grant program (using City funds alone), these programs provided emergency, transitional, and permanent supportive housing; eviction prevention assistance; and other necessary services. The bulleted list below provides a snapshot of some of the City funded programs (by category) that address both the needs of low- income City residents, particularly with respect to housing, increased self-sufficiency and health needs:

- Homeless Assistance for Singles \$80,000 – 105 residents (of 122 expected under the contract);
- Homeless Assistance for Families (\$40,000 - 126 persons);
- Emergency Assistance: "essential services to preserve and support housing and prevent homelessness" (\$154,533- 321 persons of 450 anticipated under the contract);
- Emerging Needs: new and innovative grants to preserve housing and promote self-sufficiency (\$50,000);

- Food Assistance (\$50,000- 6,846 residents plus 6,262 backpacks distributed with food for the households over the weekends);
- Health Care services (\$143,000 -1,100 persons);
- Mental Health services (\$110,458- 105 persons); and
- Workforce Development (\$44,563- 18 persons).

Serving single adults as well as children and families with a range of services, these programs delivered much-needed services to homeless City residents and others at risk of becoming homeless. The Dwelling Place, for example, not only provides emergency housing to homeless families, but case management to heads of family to develop and carry out personal action plans for achieving family independence. Chase Partnership House, which serves homeless adult men in addiction recovery, provided transitional housing and transportation, case management, meals, referrals, and other services. Sophia House served homeless women who are substance involved and/or mentally ill by providing emergency housing, meals, tokens, case management, and other supportive services, and the Upper Montgomery Assistance Network provided eviction prevention assistance to those at risk of losing their housing.

(b) Priority B. Other Special Needs Populations

Numerous City-funded programs address the needs of the City's special needs populations, including the elderly and frail/elderly. Special needs populations also include developmentally disabled persons, mentally ill persons, persons with HIV/AIDS, persons with drug and alcohol addictions, and other persons with disabilities.

The City also serves many elderly (62 plus) and frail elderly (80 +) through activities offered at the Gaithersburg UpCounty Senior Center. With 500 + members, an average of 100 persons attend the Center each day, The Center offers a variety of activities and special programs and one mid-day meal five days a week. Montgomery County's Department of Aging and Disability Services provides a case manager/social worker every Friday from 11:30 a.m. to 4p.m. at the Gaithersburg Center, which is the only drop-in facility for elderly persons in Gaithersburg and in the up-county area.

The City also used CDBG funds for emergency financial assistance to eligible households facing a financial crisis that could result in eviction and homelessness. This year, 34 Gaithersburg households received direct financial assistance with CDBG funds under the public service activity, including three residents of Wells/Robertson House moving into permanent housing. In addition, City funds alone paid the staffing costs for a full-time bi-lingual housing counselor.

Effective April 2008, the State of Maryland assumed full grantee responsibilities for the Housing Opportunities for Persons with AIDS (HOPWA) program in Montgomery (and Frederick) County. From July 2003 - March 2008, the City of Gaithersburg - as the most populous municipality in the Bethesda-Frederick-Gaithersburg Metropolitan Division - was the grantee. Although the City of Frederick became the official grantee in 2007, a statutory change in the authorizing legislation allowed the State to assume all grantee responsibilities on behalf of the entitlement jurisdiction. As such, the Maryland Department of Housing and Community Development is responsible for preparing the Consolidated Annual Performance and Evaluation Report (CAPER), which will include reporting on the HOPWA program for the year ending June 30, 2014.

(c) Priority C. Affordable Housing

The City continues to support its objectives to maintain and preserve the stock of affordable rental housing for low-income residents, including efforts to address worst case needs and accessibility needs of persons with disabilities. Although the City has lost more than 600 moderately

priced rental units since 2005, not all of these units will be replaced. However, the MPDU program ensures that affordable housing is available throughout the entire City, reducing concentrations of low-income housing in just a few areas of the City. The City will use other means, including maintaining and expanding partnerships with HOC, Montgomery County, the non-profit development community and the private market to mitigate these losses and to ensure that more affordable housing opportunities are available for households at a range of incomes.

The City's current housing stock consists of 35 percent apartments (8,035 units), 15.5 percent condominium (3,586 units), 28 percent townhouses (6,603 units), 20 percent single family detached (4,719) and 346 group quarters (1.5 percent). Many apartments are aging, which is a factor in keeping rents moderate. Rents in Olde Towne Gaithersburg, which also contains the highest percent of low-moderate income households in the City, are particularly affordable, with two-bedroom units renting for \$900 - \$1,200 per month. These properties tend to have aging and inefficient HVAC systems, and do not include utilities in the rents, which can make monthly housing costs unaffordable.

Of concern to housing advocates is the lack of three bedroom multi-family rental units. Of the nearly 900 units to come on-line in the City since 2007, only one property offers any three-bedroom units. (Of the four properties that currently offer MPDUs in the City, there is just one three-bedroom MPDU in the program.)

One of Gaithersburg's most successful efforts to preserve affordable rental housing is through its housing counseling partnership with Family Services, Inc. (FSI). Funded entirely with local City funds, FSI provides a full-time bi-lingual housing counselor to assist families at risk of eviction as a result of reduced income or other financial emergencies. The City's Community Services Program Manager spends approximately 5 hours a week on the program as well, reviewing cases, making referrals, and working directly with the bi-lingual counselor on individual cases. This year, 69 families received housing counseling (by comparison, 69 and 73 households received such counseling in the previous two years). City staff also reviews and approves all requests for emergency assistance, ensures that the program is well-advertised, and assists with referrals to other local and public agencies.

In addition to providing housing counseling, 34 requests were submitted for emergency funds this year. Prior to approval, Family Services, Inc. submits a packet of information, which must include a copy of the eviction notice or utility disconnect notice. In certain cases, the City assists with rental assistance prior to an eviction notice; such assistance is offered only when - in the judgment of the housing counselor and City staff - a medical emergency or loss of income warrants assistance. The request also lists other sources of emergency assistance, and in most cases, the City requires some payment by the lessee. In most cases, the Maryland Energy Assistance Program funds (MEAP) must be accessed prior to a request to the City. In FFY12, the City entered into an Agreement with the Upper Montgomery Assistance Network (UMAN), whose sole mission is to provide rental and utility assistance to households in this area of the County. A successful PILOT program allowed UMAN to provide ongoing (up to three months) of rental assistance of \$500 per month to those families that required longer term financial help to stabilize.

Actions taken this year to maintain and preserve the stock of affordable rental housing for extremely low-and low-income City residents included building relationships among members of the Gaithersburg Coalition of Providers, area property owners and landlords. Under the direction and management of the City's Community Services Division, this Coalition is made up of 80+ nonprofit and public agencies serving the City in the areas of food, housing, health, youth programs, counseling, and emergency assistance.

Forest Oak Towers Apartments, a 175 unit high-rise apartment for elderly and disabled households, was purchased in 2007 by the Housing Opportunities Commission through a partnership with

the State of Maryland and the Montgomery County Department of Housing and Community Affairs. This Gaithersburg property has provided affordable housing to low income seniors and disabled persons for many years under a project-based Section 8 contract. Like other income-restricted properties that receive HUD financing, Forest Oak Towers would have been sold during the housing boom, and converted to market-rate units, had the City not worked with the County housing agencies to purchase the building. Through a PILOT (Payment in Lieu of Taxes) Agreement with the Forest Oak Towers Limited Partnership, the City has agreed to waive all property taxes until 2025.

Although there are no "rent-control" laws within Montgomery County¹, the County's Department of Housing and Community Affairs annually releases voluntary guidelines for landlords. The suggested rate of increase effective February 2014 was 1.5 percent, which corresponded to the increase in the rent component of the Consumer Price Index for the Washington Metropolitan area. A comparison between City and County rents for similar sized units reveals that City rents are lower than those charged in Montgomery County overall. Despite this historic imbalance (this is true in ownership housing as well), as more aging, obsolete units are taken off line - and replaced by new construction - rents in the City may rise to the same level as in other areas of the County. As the median household income for City residents is currently 90 percent of County incomes, it is understandable that housing costs be lower as well. It is important to note that the City's MPDU rents are lower than those set by Montgomery County and the City of Rockville. (Gaithersburg uses a different formula, which always results in lower monthly rents for the unit.)

In consultation with the Office of Human Rights and the Interagency Fair Housing Coordinating Committee, in August of this year, the Department of Housing and Community Affairs issued an updated Rental Housing Survey to all County landlords. Under Section 29-51 of the Montgomery County Code, landlords are required to provide information related to rents, vacancy and turnover rates, and occupancy composition. The surveys are due on or before September 30, 2014. Questions related to accessibility included the number of units with no-step entrance; interior doors 32" or wider; halls 36" or wider; kitchen counter tops and appliance controls reachable; bathrooms with grab bars, wheelchair turning radius and reachable faucets, and interior doors and faucets with lever handles. Other questions related to access for persons with disabilities included number of handicapped spaces near entrances; mail, trash, laundry and recreation areas that are wheelchair accessible. These questions stem from the IAFHCC's desire to have a useful inventory of accessible rental housing units in the County, and it is the first time such an inventory can be produced. This information will be invaluable to the growing elderly and disabled population in this area.

(d) Priority D. Barriers to Affordable Housing

In December 2005, the City executed a 12-month Agreement with the Housing Opportunities Commission (HOC) to provide up to \$10,000 in a forgivable loan to displaced tenants of West Deer Park Apartments purchasing a home in Gaithersburg or Montgomery County. At the end of the one-year term, just seven former residents purchased a home with these funds. The Mayor and Council and City staff were disappointed at how few residents participated, and redesigned the program to offer more funds (up to \$20,000 to each household) through a zero-percent deferred loan.

A new Agreement with HOC was executed in August 2007 with \$300,000 in City funds coupled with federal Community Development Block Grant (CDBG) funds for those participants who met income restrictions. Following a Mayor and Council Work Session in mid- 2007, the program was expanded to include all eligible displaced tenants, including those displaced from Broadstone Apartments and the three

¹ The sole exception is the City of Takoma Park, which has a rent control provision. Rent Controls expired in Montgomery County more than 30 years ago.

apartment communities on East Diamond Avenue. Additionally, participants were given until November 2010 to settle on a property. Combined with the additional funds, staff was confident that these program modifications would result in a significantly larger number of buyers. Unfortunately, as March 2010, just three new loans were issued- all with City funds (i.e., no CDBG funds were used). Disappointed by these low numbers, following notice of a 60-day cure period, the City terminated its 2007 Agreement with HOC and brought the program in-house in March 2010. Run entirely with City staff, the program is available to first-time homebuyers in the order of priority, as follows:

- (a) Displaced tenants from Gaithersburg apartments;
- (b) City residents purchasing within the City limits; and
- (c) All other first-time homebuyers (from anywhere) who purchase within the City.

The City's affordable housing program, adopted in 2006, was modeled after the Montgomery County MPDU program, although with several significant changes, including length of control period, income restrictions, unit pricing and equity distribution. When adopted, the ordinance required annual incomes between 60 and 80 percent of Area Median Income (AMI) and 80 and 120 percent of AMI for Moderately Priced Dwelling Units and Workforce Housing Units, respectively. In March 2009, the City's Housing Division began to take applications for MPDUs at Amber Commons, and discovered that the vast majority of those inquiring about the program did not meet even the minimum household income.

When the City adopted its affordable housing laws, it also put in place a number of other housing programs that would be implemented over time. Those included:

Rehab and Conversion of Low-Income Apartments to Affordable Housing Units. The City's housing program may include partnerships with Montgomery County and the State of Maryland under which the City would offer developers incentives to purchase existing apartments. Incentives could include low-interest financing from the Maryland Community Development Agency (CDA) or County housing initiative funds, expedited planning and permitting and/or fee waivers from the City.

Redevelopment of Existing Housing Under this program, the City requires that a developer pay an amount equal to 3 1/2 months' rent as a relocation payment. Additionally, those tenants displaced by the redevelopment have first priority for the affordable units created. In some cases, it is likely that it would be desirable to have a larger percentage of MPDUs than workforce housing units on a redevelopment project. Additionally, the permit revenues generated by the redevelopment could be added as a restricted account in the Gaithersburg Housing Initiative Fund and displaced tenants, by lottery, could receive a subsidy to purchase MPDUs or workforce housing units in existing neighborhoods.

In the summer of 2014, the City undertook a study of other jurisdictions' laws to determine if Chapter 13 "Landlord Tenant Relations", Section 38 "Relocation Assistance – Demolition or Redevelopment should be strengthened. That study is currently underway.

(e) Priority E. Non-Housing Community Development

In addition to using its FFY13 CDBG funds for low-income renters and other at-risk populations, CDBG funds were used during this year at the B&O Train Station to comply with recent Environmental Protection Agency's regulations regarding grease disposal and to install fully accessible restrooms.

The City's community development objectives tie closely with economic development opportunities. Strategies include achieving the vision of the Olde Towne District Master Plan; retention of existing City businesses and supporting their growth -particularly with respect to adding new employees and increasing the tax base; attracting new businesses that provide stable, well-paying jobs; and play to

the City's strength in the technology sector, related to proximity to the National Institute of Standards and Technology and other federal agencies.

Community development objectives are designed to promote Gaithersburg as a great place to live for persons at a range of incomes. CDBG funded improvements at the Senior Center, and other areas with predominantly low-income households ensure greater opportunities for these persons.

In its Strategic Plan (Chapter 4 of the Consolidated Plan), the City proposed that it would continue to preserve and maintain historic resources within the City of Gaithersburg and that, if appropriate, CDBG funds would be used for restoration of significant historic resources. A matching grant awarded by the State of Maryland in 2005 in the amount of \$430,000 was used to restore the 1914 locomotive (part of the city's historic "Rolling Stock"), located at 9 South Summit Avenue. The City is creating a museum annex in one of the newly acquired cars that will expand its existing exhibits and create new interactive programming of interest to immigrants and minority populations. This is especially important given the significant growth of the Latino population to actively engage with the City and its operations.

(f) Priority F. Strategies to Address Negative Effects of Public Policies that Serve as Barriers to Affordable Housing.

Since the early 1990s, one of the City's priorities has been to modify the imbalance of rental multi-family units and single family homeownership properties. Dating from that time, the Mayor and Council determined that new land being developed on the west side of the City be built as homeownership units (single family and townhouse construction), resulting in a shift from 60 percent rental and 40 percent homeownership to constructed units that are now 65 percent homeownership and 35 percent rental. Unfortunately, the economic conditions of this recession dictate that new redevelopment properties, planned as homeownership, are now being constructed as multi-family units. This strategy necessitated the need for an inclusionary housing policy, which was developed over a full year, brought before the Mayor and Council for several reviews, and finally adopted in November 2006, with implementing regulations approved in January 2007. Since that time, 140 MPDUs have been created, and are generally fully leased (although there is some turnover). The MPDU program has surely forestalled the loss of numerous units of affordable rental housing, although there will likely not be a 1:1 replacement of those lost units.

Through an Agreement executed between a private developer and the City in December 2010 waiving the Work Force Requirement of 45 additional units (in excess of the 12.5 percent required by law), the City has received \$2.4 million of a \$3 million obligation to create a "Housing Initiative Fund" to support affordable housing production City-wide. The Mayor and Council appointed a committee comprised of non-profit developers, local non-profit housing providers and other County housing agencies, including the Housing Opportunities Commission, to lead the effort to develop programs that would target homeless populations, extremely-low and low-income populations, and other special needs groups. Funds are available in four installments, with the City having received \$2.4 Million as of June 2014. In December 2012, the City issued its first loan with these funds. The Mayor and Council approved a PILOT (payment in lieu of taxes) and a \$486,000 loan (with a PILOT and matching loan from the County's HIF) to Montgomery Housing Partnership to purchase and renovate 439 N Frederick Avenue. In 2013, MHP acquired a second multi-family rental property at 425 N Frederick Avenue, and again received a PILOT from the City as well as \$250,000 under similar loan terms.

(g) Priority G. Anti-Poverty Strategy

In 2009, the median income for Montgomery County was \$94,319, and for the City of Gaithersburg, it was \$80,655, nearly 16 percent lower than that of the County. Single mothers are head of

the sole head of household for 15 percent of families in Montgomery County, but account for nearly half of the county's families that have incomes below the federal poverty line. To focus attention on the issue and to help move low-income mothers and their families out of poverty, the Montgomery County Commission for Women (CFW) has developed the 2009 Mothers and Poverty Agenda for Action that recommends policy changes to help poor, single mothers and their children. The Agenda for Action is the result of two years of work by the Commission's Mothers and Poverty (MAP) Committee formed in 2007 to address the issues facing low-income single mothers. This issue was reinforced for City staff while promoting the new MPDU program. With few exceptions, nearly every person who contacted the City as a single head of household with dependent children either did not apply or was deemed ineligible because they did not meet the income minimums. This was one of the factors which led staff to recommend a reduction in income minimums for the MPDU program.

Working closely with Montgomery County, non-profits, local religious groups, and Montgomery County Public Schools, the City is heavily involved in comprehensive, wrap-around services to low income households living within the City. This is particularly true in regard to housing, health care, and the provision of food.

The City's Housing and Community Development Director, who oversees the MPDU program and the down-payment and closing cost assistance program, and works closely with the housing counselor on eviction prevention, has seen striking evidence of the effects of the long recession on low-income and working households in Gaithersburg. There is a critical need for increased services on behalf of these families in the areas of affordable housing, medical care (including prescription assistance, eye and dental services), and food. The City of Gaithersburg-through CDBG and City funds- places a priority on these services, and has demonstrated that commitment by increasing the pool of local funds to support non-profit agencies doing work in these areas. Montgomery County has also stepped up its efforts in eviction prevention assistance by increasing the amount a family can receive in a single 12-month period. After several years of denying new requests for the County RAP program, this year it finally opened the program; this vital source of funds provides up to \$200 per month to assist with rent. The CDBG Public Service funds can only assist with rental assistance for up to three-months.

The Montgomery County Housing First Program, implemented in 2008, was developed as a response to the rise in homelessness in the County, and a nationwide movement to prioritize housing, followed by service needs. At the same time, HUD was shifting funding priorities in this direction. The County's Housing First Model developed program milestones, which included an addition of housing locator services to assist with rapid re-housing of homeless households. The implementation of new shelter policies was established as of July 2009, with a system-wide common assessment tool created by January 2010.

Valuable census data are now available on incomes for Gaithersburg, confirming the housing crisis in this County. Such data reveals that 48 percent of Gaithersburg renters pay more than 30 percent of their income to housing costs; 12% of City households have annual incomes below \$25,000; 31.5 percent of Gaithersburg households have incomes less than \$50,000 per year; and 7 percent are below the federal poverty level, and of elderly City residents, 16.5 percent have incomes below the poverty level. The Montgomery County self-sufficiency standard, which measures how much income a family of a certain composition in a given area, needs to adequately meet their basic needs without public or private assistance. For a household of three, including 1 adult, 1 school-aged child and 1 preschooler) would need an annual income of \$76,752 to adequately meet their financial needs.

Coupled with increased funding to support families and households faced with extremely low incomes, the City's economic development strategy includes bringing businesses to Gaithersburg that "provides stable, well-paying" jobs.

The decline in the overall housing market affected the construction of new homeownership and mixed-used developments in Gaithersburg for some years. Although the projected numbers have remained relatively constant, the schedule of construction proposed by the development community has not. To date, just four MPDU and WFHUs have sold at the Summit Hall Reserve property. The timing of this delivery coincided with the release of MPDUs at Crown Farm, priced far below those offered by Summit Hall Reserve. Although not solely responsible for the poor sales at Summit Hall Reserve, offerings by several different builders at Crown Farm have had a negative effect on MPDU sales under the City's program.

Other actions intended to promote and retain homeownership also included the City's continued participation in and co-sponsorship of the Montgomery County Housing Fair. For the 14th consecutive year, the 2014 Fair was co-sponsored and hosted by the City and included housing-related workshops on topics such as "fair housing and your rights as tenants," "homeownership assistance programs," foreclosure prevention counseling (both one-on-one and within groups), and free on-site credit counseling. In addition to the City's participation, other local government non-profit agencies and local businesses participating include the Montgomery County Department of Housing and Community Affairs, the Housing Opportunities Commission, El Tiempo Latino, Washington Hispanic, SunTrust Bank, Radio America and Empire Financial.

All workshops are conducted in English and Spanish, and attendees receive one-on-one assistance from vendors and free credit reports. Translation services were available on-site for non-English speaking attendees.

Beginning in 2011, rather than present a single Housing Fair in Gaithersburg, the Housing Fair Committee made the decision to hold several smaller events throughout Montgomery County, each event highlighting a single issue related to affordable housing.

Non-housing and Economic Development- Pursue Economic Development Programs and Strategies

CDBG funds were not used this program year specifically to pursue economic development programs/strategies. However, the City of Gaithersburg has set aside up to \$2 million in local funds to implement a tool-box of economic development activities, beginning with the creation of a new staff position, an Economic Development Director, who was hired earlier this year. Working with the Economic Development Division, the City has submitted several grant applications in support of Olde Towne's redevelopment.

One of the most important strategic directions is to "Actively Pursue the Gaithersburg Olde Towne District Master Plan. In late 2004, the City completed a review and update to this Plan, which includes fostering homeownership in Olde Towne, increasing commercial and residential development, creating a park plaza area that will include a 60' clock tower, and attracting more visitors and residents to Olde Towne. These plans are generally on hold until more signs of revitalization occurs in Olde Towne, however.

The redevelopment of several properties on East Diamond Avenue resulted in the construction of a market-rate apartment complex of nearly 400 luxury units and 18,000 square feet of first-floor commercial space in Olde Towne. To provide employment incentives, in 2009 the City received designation as a State of Maryland Enterprise Zone (formerly the Olde Towne Central Business District). This designation will provide tax credits and other benefits to either startup businesses or expanded businesses who locate to Olde Towne. Staff is currently in the process of completing an application to expand the Enterprise Zone geographic boundaries. In this challenging economy, Gaithersburg is renewing its efforts to attract, retain and expand its business community. It has enhanced initiatives to attract technology communities - especially to Olde Towne - by promoting income tax incentives offered

through the recently established Enterprise Zone. Further, Gaithersburg City leaders have developed programs that promote job training and economic self-sufficiency among low-income City residents through a partnership with Montgomery College.

Improve the Safety and Livability of Neighborhoods

Non-CDBG activities undertaken included providing diverse cultural, artistic, and recreational programs and awarding scholarships for the City's summer camp programs to income-eligible families. In 2009, the City applied for and received grant funds from the State of Maryland to institute a facade easement program in Olde Towne and surrounding historic districts. Fifty thousand dollars was awarded to property owners for repainting, new signage and awnings, new windows, and other exterior improvements.

Through County and City loan funds (and a seven-year PILOT from both jurisdictions) a local non-profit housing developer was able to purchase two blighted multi-family rental properties which have been renovated. These loans were issued with funds from the Housing Initiatives Fund for the purchase, renovation and management of properties, while preserving their affordability.

Enhance Economic and Educational Opportunities for Low-Income Adults

Workforce Solutions Group of Montgomery County, Inc. and Catholic Charities-Spanish Catholic Center received City funds in the amount of \$45,000 to provide 150 Gaithersburg residents (half of whom have limited English) with comprehensive, coordinated and individualized workforce, job development and financial wellness services. Twenty-five high school students were to receive job readiness training and summer employment job opportunities. This project was not entirely successful, as just 18 City residents received services, with eight workshops held, and four referrals to the Bank-On Gaithersburg Program. An emerging need identified through this program is the need for additional supportive services such as transportation and child care. Occupational skills training is another identified need.

Address Fair Housing Impediments

Attached is the City's Analysis of Impediments to Fair Housing, which took a year to complete, and was available for public review and comment for an additional six months prior to finalizing and submission to HUD.

Although the City worked closely with Montgomery County last year when its Analysis of Impediments to Fair Housing was being developed, providing regular input both at the individual level and through its presence on the Inter Agency Fair Housing Coordinating Group, the City determined to hire an outside consultant to prepare its new Analysis of Impediments to Fair Housing. This was done for several reasons: limited staff time (Gaithersburg has one full-time staff person overseeing all aspects of federal, state and local grants coming into Gaithersburg, as well as directing the City's affordable housing program, including administration of Crown Farm development, which will include 282 MPDUs once the development is complete. The decision that an outside agency would provide the most clear-eyed and impartial review of the City's efforts, and that the City would be more receptive to taking steps to improve its efforts to "affirmatively" enforce fair housing.

Gaithersburg entered into a contract with Mullin and Lonergan Associates. This organization most recently prepared an Analysis of Impediments to Fair Housing for Prince George's County and the City of Bowie. To date, services have included consultation with City staff, conducting interviews, distributing questionnaires, conducting research and communication with City staff and residents, as required.

According to the US Department of Housing and Urban Development, the Federal Fair Housing Act prohibits housing discrimination against seven protected classes, including race, color religion, sex, disability, familial status or national original that restricts, or has the effect of, restricting housing choices or the available of housing choice. The Montgomery County Code establishes the Human Rights Commission in Chapter 27, Article 1, and extends protection from discrimination to 16 protected classes, including those protected under federal law, and additional protections based on sexual orientation, marital status, ancestry, age, genetic status, family responsibilities, gender identity, source of income and presence of children. (Discrimination based on genetic testing is the most recent protected class under this law.)

This year, the City's Housing and Community Development Director assumed the Chairmanship of the Montgomery County Interagency Fair Housing Coordinating Committee (IAFHCC). This body, which meets monthly, is charged with preparing an annual report on housing discrimination in the County; reviews and analyzes pending laws at the State, County and federal level, recent testing results from Montgomery County housing testers, to coordinate the semi-annual fair housing events, and prepares the Survey of Rental Housing Occupancy, which requires that managers or owners of apartment buildings/complexes containing 25 or more units are required to complete a survey that includes total number of tenants, number of units that are wheelchair accessible, and the race or ethnic background for all lease holders. This year, the IAFHCC will undertake a survey of all rental properties within the County that count one or more "accessible" units (i.e., fully accessible to persons with disabilities). Such a study has not been conducted, and is badly needed.

During this program year, the City increased its efforts to produce documents and other materials in Spanish, and to provide outreach on its affordable housing program with a special emphasis on low-income minority populations. The MPDU application and synopsis of the program have been translated into Spanish, and the City has done extensive outreach to lenders with bi-lingual capability in its expanded down-payment assistance program. In fact, one of the reasons the HOC contract was cancelled was directly related to the absence of non-English speakers participating in the program. As approximately 80 percent of the displaced households were Latino, the City was determined to make special efforts to include that population in its new affordable housing programs. The City has also made bi-lingual staff available to interpret at meetings with non-English speaking residents. As noted earlier in this report, two groups of minority residents, who may not be English speakers - have grown in population since the '2000 census, while the white only population has declined more than 9 percent. The City has taken steps to ensure that these two groups- Latinos and Asians- have greater access to information in at least three languages: Spanish, Mandarin and Cantonese. The City has made an enormous effort to increase its staff to include employees who speak multiple languages, and in fact, pays a salary differential for speakers of other languages. The City's Housing and Community Development Director meets one-on-one with every participant in the MPDU program and down payment assistance program, and has ready access to bi-lingual professional staff for those meetings.

The Montgomery County Office of Human Rights (OHR) is the primary agency responsible for the enforcement of Fair Housing laws within the City of Gaithersburg. The OHR promotes equal opportunity and civil rights for all residents within the County. It also accepts, investigates, and resolves formal complaints of discrimination and offers mediations where necessary.

(a) Outreach and Education

As part of the Office of Human Rights, the County administers a Fair Housing program of outreach and monitoring activities. Actions include training lenders, realtors, property managers, homeowners associations and others; assigning staff to discuss reasonable accommodations for persons with disabilities and the placement of group homes; and implementing advertising campaigns that target

minority residents and are produced in several languages. In order to raise awareness of fair housing issues in the community, the County holds an annual fair housing forum. Through this program, residents have the opportunity to hear from representatives of the Office of Human Rights, the Interagency Fair Housing Committee, the Housing Opportunities Commission, the Department of Housing and Community Affairs the Office of Landlord-Tenant Affairs.

Two years ago, the City paid for the printing of 10,000 new Fair Housing Posters (in English and Spanish) with CDBG funds. Staff at both the City and County level expressed concerns that- although the federal fair housing posters were available as required by law -- County posters were very often missing in those places that provide services related to the sale or rental of housing, as required. Both the State of Maryland and Montgomery County has expanded those protections under Chapter 27, Article I. In addition to the federal law that protects persons and classes from housing discrimination:

This year, the City's inspectors have been tasked with ensuring that every landlord in the City has posted the County Fair Housing Posters in English and Spanish in addition to the federal posters. Moreover, every lender applying for participation in the City's down payment and closing cost assistance must, in addition to describing the manner in which they comply with the CRA obligations, also certify to the following:

I certify (name of lender) complies with all relevant provisions of Montgomery County Code, Chapter 27. I further certify that, as required under Section-13, if not already in place, a notice shall be posted stating that discrimination based on a protected class is illegal in all real estate transactions.

The City's Housing and Community Development Director is a member of the National Fair Housing Alliance, and regularly participates in webinars, and conferences on the Fair Housing Act and Equal Credit Opportunity Law. Other actions the City took this year was to update the landlord tenant information packet to include "genetic testing" as a protected class. Moreover, the City's Housing and Code Inspection staff are now presenting to the City's annual landlord appreciation event to answer questions on fair housing and to distribute updated information to each landlord.

One of the most significant actions the City has taken since becoming an entitlement community for CDBG is the passage of the Gaithersburg Affordable Housing Ordinance, which is similar to the Montgomery County law, although it expands that law in several key areas: the percentage of units that must be offered as rental MPDUs is 15 percent, rather than 12.5 percent in the County; and our MPDU rents are lower than those calculated under the County formula. Moreover, the City requires that work force housing be available to households at moderate incomes for all for-sale residential developments with 20 or more units.

Gaithersburg has recently undertaken an exhaustive study of affordable housing in the City, particularly as it relates to concentrations of housing in high poverty areas. One of the most notable pieces of information from that study is that fully half of all Gaithersburg elementary schools have high (over 50 percent of students participate in FARMS) rates. In fact, the ten schools in the County with the highest FARMS rates include three Gaithersburg schools. Success in the deconcentration of poverty in certain neighborhoods is critical to the academic success of many of these low-income students.

The City's \$3 million Housing Initiatives Fund will be used to increase the supply of affordable housing- particularly to households below 80 percent of AMI- throughout the City, and not just in neighborhoods of pockets of high poverty housing. In fact, the Mayor and Council have clearly stated its support of funding housing production that will disperse affordable units throughout the City, thereby, reducing the high incidence of concentrated poverty.

In addition to its participation on the IAFHCC, the City supports outreach efforts by cosponsoring the Annual Montgomery County Housing Fair each year, held at the City's Activity Center at Bohrer Park. Initially funded by a grant to the City of Gaithersburg and the Upper: Montgomery Assistance Network by Montgomery County to "overcome barriers to full participation in the community", the Annual Housing Fair has become a one-stop day-long event that provides information on first-time homeownership, housing and energy assistance, and landlord tenant issues. Information on a range of housing issues is distributed. In addition, the City distributes information in both English and Spanish, a key element in reaching the Hispanic Community in Gaithersburg.

The City also participates in all the Fair Housing conferences sponsored by the Office of Human Rights in conjunction with the Interagency Fair Housing Coordinating Committee.

(b) Testing and Complaints

The County Office of Human Rights developed a comprehensive in-house program test for discrimination in the rental and sale of housing, home mortgage financing and in compliance with architectural guidelines with regard to accessibility for people with disabilities. This program measures and documents the quality, quantity and content of information and services offered to various home seekers by housing providers. To date, the program has conducted testing primarily with regard to race. Future testing is planned for race, national origin and familial status in addition to testing for people with disabilities, an area of increasing concern. The City cooperates with any testing program implemented by the County. This year, staff of the Cities of Gaithersburg and Takoma Park met with the Director of the Office of Human Rights, and asked that apartment communities in these jurisdictions be included in any testing done in 2015, and that the results be shared with each jurisdiction.

(c) Unfair Lending

The Office of Human Rights has directed significant attention to the issue of unfair lending practices in Montgomery County as part of its comprehensive efforts to achieve its fair housing goals. Institutional mortgage lending habits constitute an essential component of any examination of whether fair housing choice for homeownership is available. Moreover, predatory lending tends to disproportionately affect those in protected groups. The County has identified the following predatory lending characteristics as part of its examination of these practices: high and unnecessary closing costs, excessive late fees, prepayment penalties, payment schedules with large balloon payments, value loan terms or changing terms, inflated appraisal costs, additional unwanted services such as credit life insurance, high loan-to-value ratio, backdated or forged documents, rushed loan closing and multiple refinancing. Discriminatory lenders also target borrowers in the "sub-prime" market, particularly those with weak credit histories.

The City of Gaithersburg assigns legislative authority over consumer protections, such as unfair lending practices, to the County and thus has not taken any separate legislative actions with respect to unfair lending practices.

As the local jurisdiction for code enforcement, Gaithersburg has the ability to use its enforcement tools to persuade landlords and management companies to work with local nonprofit agencies and other government agencies to assist residents at risk of eviction. To that end, the City worked closely with landlords to facilitate information-sharing between property managers and nonprofit social service providers.

HOC works closely with the City on a number of important housing-related activities and facilities, including the Montgomery County Housing Fair held at Gaithersburg's Activity Center at Bohrer Park, Forest Oak Towers (a project-based Section 8 facility for elderly and disabled persons now

owned by HOC), Seneca Heights Apartments, and Diamond Square Apartments at 80 Bureau Drive. Diamond Square Apartments is a single room occupancy building (formerly a hotel) owned through a joint agreement among the City, the Montgomery County Department of Housing and Community Affairs, and HOC. Rents in this building are based on incomes established under low, moderate, or market rents and are significantly lower than comparable efficiency units anywhere in the County.

Addressing Obstacles to Meeting Underserved Needs

Other actions the City has taken this year to address obstacles to meeting underserved needs included combatting Increased Youth Violence and Gang Activity. In addition to providing financial assistance in the areas of health, and mental health, housing and utility assistance, food needs, and education assistance to schools with large percentages of low-income students (i.e. high FARMS rates) the City also funds a non-profit for civics education classes and employment internships to City youth at risk of gang activities.

Fostering and Maintaining Affordable Housing

This year, the City's efforts to address worst-case housing needs continued to focus on low-income renter households who spend at least half of their income on rent. These activities included housing and foreclosure counseling for low-income Gaithersburg residents. The City's Community Services Manager increased hours on behalf of this population and worked closely with county and nonprofit agencies in Gaithersburg to ensure that families would not lose access to housing counseling services.

The City continues to sponsor and host the Montgomery County Housing Fair, the only event of its kind in the county. This event, created in 2000 as the Up County Housing Fair by the Upper Montgomery Assistance Network and the City of Gaithersburg and funded through an Empowerment Grant by the Montgomery County Department of Housing and Community Affairs, provides accurate, reliable, and up-to-date housing resources and information to residents of upper Montgomery County, with a particular emphasis on non-white and Hispanic residents, who were "unable to fully participate in the community" This past year's event, held at the Gaithersburg Activity Center at Bohrer Park, attracted more than 1,200 County residents seeking information on housing-related and financial management topics. Such information was provided through a variety of workshops, all of which were offered in English and Spanish sessions.

Due to stringent code enforcement activities, the City has negligible substandard housing conditions. Overcrowding housing, however, does pose a problem. While responding to housing overcrowding as a life-safety concern, City staff also make appropriate referrals to City and County agencies to mitigate the impact on families who have nowhere to move. The City is alarmed that the foreclosure crisis has exacerbated this situation, as does the rising cost of housing in the area coupled with increased unemployment and underemployment for the most vulnerable households. Despite rising costs to the City's operating and capital budgets- coupled with reduced outside revenue, Gaithersburg continues to increase its non-profit grant funding. These awards make a critical difference in the ability of local non-profit agencies to serve needy families.

Wells/Robertson House, a City-owned and -operated transitional housing program for 14 single adults in recovery from alcohol and chemical abuse is currently in its 26th year of operation. This program provides housing, case management, and chemical-addiction treatment to a very vulnerable homeless population and it is the only program of its kind in the State of Maryland. Sixty percent of the residents who have graduated within the past two years remain clean and sober and in stable housing. Additionally, homeless single adults and families received financial support through City grants to four City or County shelters and four City or County transitional housing programs. These programs are in

addition to the City-owned and- operated transitional housing program at Wells/Robertson House and Seneca Heights Apartments Personal Living Quarters (PLQ) facility, the first such building in Montgomery County.

Eliminating Barriers to Affordable Housing

The most significant obstacle that low-income City residents face is locating and retaining affordable housing. A limited supply of affordable rental units, declining vacancy rates, and high rent costs create an affordability barrier for many residents. Low-income persons who do not receive a rent subsidy find it difficult to find an appropriate place to live. Based on data compiled by the Gaithersburg Planning Department, approximately 45 percent of Gaithersburg's rental housing stock is either "affordable" to low- to moderate-income households, subsidized, or under some kind of rent control. Unfortunately, that percentage is shrinking as affordable units are sold and new owners are forced to increase rents, and as redevelopment occurs in areas of the City where below-market rents were common.

Condominium conversion and replacement of aging and obsolete housing taking place throughout the region present additional challenges. However, as the local jurisdiction for code enforcement, Gaithersburg has some ability to use its enforcement tools to persuade landlords and management companies to work with developers and nonprofit and other agencies to assist City residents with appropriate relocation. In addition, in September 2006, the Mayor and Council approved a resolution requiring property owners in certain contexts provide relocation assistance to displaced residents. Under the requirement, the owner of any multi-family rental building with four or more units must pay each leaseholder an additional one and one-half month's current fair market value rent in addition to relocation assistance required by the Montgomery County Tenant Displacement Act, County Code, Section 53A. The County Code, which applies in Gaithersburg, provides for two months' relocation assistance for displaced tenants. The Mayor and Council approved this resolution to provide additional assistance to tenants who are at risk of displacement as the result of several recent-and upcoming- redevelopments in the City.

Montgomery County residents face additional obstacles, given the difficulty of securing housing through HOC's Housing Choice Voucher Program (formerly known as Section 8). On average, only about 135 public housing units become available each year. Like recipients of Housing Choice Vouchers, public housing residents typically pay 30 percent of their gross income for rent and utilities. In order to be eligible for these two programs, the annual income for a four-person household cannot exceed \$53,750, which is 50 percent of Area Median Income (AMI). Although HOC's waiting lists have not been open to accept new applications, the agency estimates that there are 18,000 people on those lists.

Overcoming Gaps in Institutional Structure

City staff have frequent meetings with representatives from private industry, nonprofit agencies, and other public and government organizations. The City was also well represented in Montgomery County through staff participation in a variety of housing-related committees and organizations, including the Interagency Fair Housing Coordinating Group, the Housing Policy development Group of the Continuum of Care Planning Committee, the Montgomery County Housing Fair Planning Committee, the Montgomery County Coalition for the Homeless, Community Ministries of Montgomery County Emergency Assistance Coalition, the Montgomery County Homeless Teaming Committee, and the Montgomery County Department of Health and Human Services Econolodge Shelter Committee. In addition, City staff members were involved in the Germantown-Gaithersburg Chamber of Commerce, the Gaithersburg Latino Community Providers Group, the Gaithersburg Coalition of Providers, the School-Community Upcounty Partnership Annual Conference Planning Committee, the Upcounty Health Alliance, the Gaithersburg Judy Center Steering Committee, the Montgomery County Volunteer Center Holiday Basket Coordinating Group, the Montgomery County Martin Luther King Commemorative

Committee, the Montgomery County Citizen Corps Committee, and the Montgomery County Organizational Development Group.

CDBG staff shared information and resources with other CDBG grantees, including the Cities of Bowie; Takoma Park, and Annapolis and Montgomery County's Department of Housing and Community Affairs. City staff members also communicate regularly with the Montgomery County Housing Opportunities Commission on housing needs within the City and across Montgomery County. Two members of the HOC senior staff participated in the affordable housing committee to evaluate uses of the \$3 million HIF, and subsequently, the City Manager and Housing and Community Development Director met with HOC's new Executive Director to explore possible future partnerships.

Enhancing Coordination

Actions taken this year to enhance coordination included continued collaboration and frequent communication with members of the Gaithersburg Coalition of Providers. The Coalition was established by the City in 1995 to increase coordination and communication among nonprofit service providers, thereby improving the delivery of services and eliminating fragmentation. The City's Division of Community Services is the coordinator of the Coalition, which includes representatives from 80 area nonprofit organizations, most of which serve the entire Upcounty area of Montgomery County and the City of Gaithersburg.

Steps taken to enhance coordination also included community consultation, public outreach, and public hearings, as required by the City's Citizen Participation Plan. By consulting with a range of public and private agencies-including State and local health and child welfare agencies adjacent units of general local government, the Maryland AIDS Administration, the Montgomery County Department of Health and Human Services, the Housing Authority of the City of Frederick, Montgomery County's Housing Opportunities Commission (the local public housing agency participating in an approved Comprehensive Grant program), and others the City satisfied the requirements of 24 CFR 91.100(a)-(c).

Provide citizens, units of local government, public agencies, and other interested parties a reasonable opportunity (at least 15 days) to review and submit comments on the annual performance report. As for comments on the proposed Consolidated Plan, comments on the performance report may be provided in writing, in person, or by email, phone, or fax.

Through consultation, the City benefited from the expertise of such agencies and helped ensure that programs and services covered by the City's Consolidated Plan would be fully coordinated with those provided by other agencies or adjacent units of general local government. Coordination, in turn, will help-facilitate the achievement of the City's community development goals and help further the objectives set forth in our Strategic Plan.

Reduce Lead-Based Paint Hazards

Gaithersburg continued to provide information on the hazards of lead-based paint when issuing rental housing licenses. The information provided describes the hazards of lead in the home and refers landlords to the Maryland Department of the Environment (MDE) for additional information on the safe removal of lead paint. The State of Maryland requires all rental property owners to register any units built prior to 1950 with MDE. Landlords owning units built before 1979 but after 1950 are not required to register their units; however, participating property owners receive liability relief. Under a State law effective June 1, 2004, an evidentiary hearing will now be held to determine whether the property owner has immunity before a case proceeds to trial.

Additional provisions of this newly passed law (effective October 1, 2004) require the City, as a

local government that regulates residential rental property, to obtain certain written information from owners of residential rental property. Before receiving authorization to engage in the business of renting the property, the property owner must submit the following written confirmation:

That the property is not an affected property under the lead risk reduction provisions (an affected property is a residential rental property constructed before 1950 that is not exempted because it is lead-free or because it is a hotel, motel, or similar seasonal facility); or

If the property is an affected property, that it is registered as such and that the owner can provide the inspection certificate number for the property.

The statement submitted by the property owner must be made under the penalty of perjury before the City will be able to authorize rental of the property. Another provision of the new legislation, also effective October 1, 2004, authorizes local governments to forward to MDE any information regarding residential property, including any known noncompliance of an affected property. In addition to providing property owners with information on the hazards of lead-based paint, the City has a contract with an agency that works with senior and/or disabled low-income homeowners whose properties have Code violations. The presence of (interior or exterior) chipping or peeling lead paint on a property is a Code violation.

The Montgomery County Department of Health and Human Services has a program that tests- and provides case management- for children with elevated blood lead levels (at least ten micrograms per deciliter). There is no way for Gaithersburg to determine the number of children with elevated blood levels; however, the City makes referrals as appropriate to this agency.

Improving Public Housing and Resident Initiatives

As described in the City's Consolidated Plan, the City has no conventional public housing units within its geographic borders. However, residents with Housing Choice vouchers have access to all City programs and resources, including services provided through the City's Human Services Office. The City's Director of Housing and Community Development was a long-time employee of the Housing Opportunities Commission and consults regularly with staff of that agency on housing issues, particularly those that relate to Gaithersburg families.

Public housing and resident initiatives are also improved through the activities of the Gaithersburg Coalition of Providers. As Gaithersburg's umbrella organization for nonprofit groups the Coalition includes representatives from 80 area nonprofit organizations, all of which include the City of Gaithersburg within their service area. As discussed previously in this report, the City's Community Services Division works closely with Coalition members to facilitate information sharing on housing and other needs- and to encourage coordination among service providers. The Housing Opportunities-Commission of Montgomery County, which has an office within the City limits, participates in the Gaithersburg Coalition of Providers' quarterly meetings, which are held in various locations in the City. HOC's mission is to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County.

Evaluating and Reducing Lead-Based Paint Hazards

As discussed earlier in this report, the City this year continued to provide information on the hazards of lead-based paint when issuing rental housing licenses. The information provided describes the hazards of lead in the home and refers landlords to the Maryland Department of the Environment (MDE) for additional information on the safe removal of lead paint. The State of Maryland requires all rental property owners to register any units built prior to 1950 with MDE. Landlords owning units built before

1979 but after 1950 are not required to register their units; however, participating property owners receive liability relief. Under a State law effective June 1, 2004, an evidentiary hearing will now be held to determine whether the property owner has immunity before a case proceeds to trial. Additional provisions of this newly passed law (effective October 1, 2004) require the City, as a local government that regulates residential rental property, to obtain certain written information from owners of residential rental property.

The City's down payment and closing assistance program, using CDBG funds, requires lead testing and remediation for any property constructed before 1978. To date, properties tested under this requirement have shown no evidence of lead.

Reducing the Number of Persons Living Below the Poverty Level

The City is limited in its ability to reduce the number of persons living below the poverty level, although its CDBG-funded housing counseling program does support the housing needs of very low-income persons. Efforts made on behalf of such persons are generally available through the non-profit network and local churches and synagogues which provide tremendous assistance to this population in the form of food, furnishings and furniture, prescription medications, provision of school supplies, family and mental health counseling, etc. Without the intervention of these groups, a large number of Gaithersburg families would likely be homeless or at risk of homelessness as these supplies and other goods allow families to pay higher percentage of their income in housing costs

The City's non-profit grants program prioritizes funding to those agencies serving extremely low income families with critical life needs, particularly housing and medical care. Although many of our residents have incomes that exceed federal poverty guidelines, the Washington Metropolitan Area is a high-cost area. Almost without exception, the Gaithersburg CDBG public service grant program serves families at or below 50 percent of median income, despite being eligible for households at incomes up to 80 percent of median.

Leveraging Resources

During its eleventh year as a direct entitlement community for CDBG, Gaithersburg continued to make progress in leveraging its federal CDBG funding with other funding sources, including financial support from the City, Montgomery County, the State of Maryland and federal agencies, including the Department of Justice and FEMA.

Public Participation

Prior to submitting this report to HUD, the City of Gaithersburg made a draft of the report available for comment and review for 15 days and, in accordance with our Citizen Participation Plan, took several steps to encourage public input on the information reported in the CAPER. This section provides an overview of the requirements of Gaithersburg's Citizen Participation Plan and summarizes steps the City took before submitting this report to make the report widely available and ensure that residents would have an opportunity to review and comment on the draft. It also describes community consultation efforts.

Citizen Participation Plan Requirements

The City's Citizen Participation Plan includes requirements intended to make the public aware of information included in the Annual Performance Report. In particular, the Plan requires that the City provide citizens, units of local government, public agencies, and other interested parties a reasonable opportunity (at least 15 days) to review and submit comments on the annual performance report.

Comments on the performance report may be provided at a Mayor and Council meeting, in writing, in person, or by email, phone, or fax. The City will consider and summarize all comments received.

Public Comment Period and Community Consultation

To ensure widespread availability of its draft Annual Performance Report and to encourage public input on the draft, the City made it available for review at five public places in the City. A notice of the draft CAPER's availability for review and comment appeared in the Gaithersburg Gazette on Wednesday, September 11, 2013, identifying locations where the draft was available for review and providing instructions on how to obtain a copy.

In addition to City Hall, the Senior Center, and the public library, Gaithersburg locations included the City's Community Services Division. The City's Community Services Division works closely with a large number of agencies to which City residents can be referred for many different kinds of help, and its offices are located in the Wells/Robertson House, which provides transitional housing for homeless adults. By making the draft CAPER available at these locations, the City expanded awareness of information in the report and provided greater opportunity for public interest and comment.

Copies of the draft CAPER were available at the following locations beginning September 12, 2014.

City of Gaithersburg
City Hall
31 South Summit Avenue
Gaithersburg, Maryland 20877

City of Gaithersburg
Community Services Division
1 Wells Avenue
Gaithersburg, Maryland 20877

Gaithersburg Upcounty Senior Center
80 A Bureau Drive
Gaithersburg, Maryland 20877

Gaithersburg Library
18330 Montgomery Village Avenue
Gaithersburg, Maryland 20878

Assessment of Relationship Between How CDBG Funds Were Used and Priorities, Needs, Goals, and Specific Objectives in City's Consolidated Plan

As reflected by the preceding discussion of the objectives set forth in the City's Strategic Plan (Chapter 4 of the Consolidated Plan), a range of CDBG and non- federal funds year helped further those objectives. Refer specifically to Table 2c to a breakdown of the objectives established by the City, expected units and actual numbers of households/services provided. Reduced funding on all levels of government has seriously hampered the City's ability to serve its most vulnerable and low-income populations- particularly in the area of affordable housing. Staffing reductions has also had an effect on project delivery.

Ways City May Change Programs, Given Experiences

Over the ten years that the City has administered this program, direct staffing has reduced by 50 percent, and the amount of oversight has increased. To that end, Gaithersburg has decided to no longer fund non-profit agencies under the public service category. This was a deliberate decision based on many factors, not just staffing constraints. Grantees receive a minimum of \$5,000 and a maximum of \$25,000; however, the same level of oversight and management is required. We have found that grantees feel overburdened by the reporting, contract management, and information collection required. In fact, rather than excellent relationships being built, in some cases the opposite occurred. Grantees resented the requirements, complaining to Mayor and Council and the City Manager about those mandated requirements.

In early 2012, prior to the budget season, staff met with the City Manager to discuss ways to reduce the burdens on the grantees and on the City itself. The decision was made to increase City funds by the exact dollar amount of federal funds being lost to the non-profit community. Those additional funds would be available to CDBG grantees in good standing, who applied through the City's nonprofit solicitation process. Although the change took effect in July 2013, the City is confident that - as long as funds remain at the highest possible level - the outcomes will be equally successful.

Timeliness

The City met its timeliness requirement this year. Staff closely monitors its timeliness issue with HUD to ensure that it remains in compliance.