

**PRELIMINARY REVIEW:  
DEPARTMENT FOR LOCAL  
GOVERNMENT  
COMMUNITY DEVELOPMENT BLOCK  
GRANT HOUSING PROGRAM**

**Adopted Research Memorandum of the  
Program Review and Investigations Committee**

**Prepared by**

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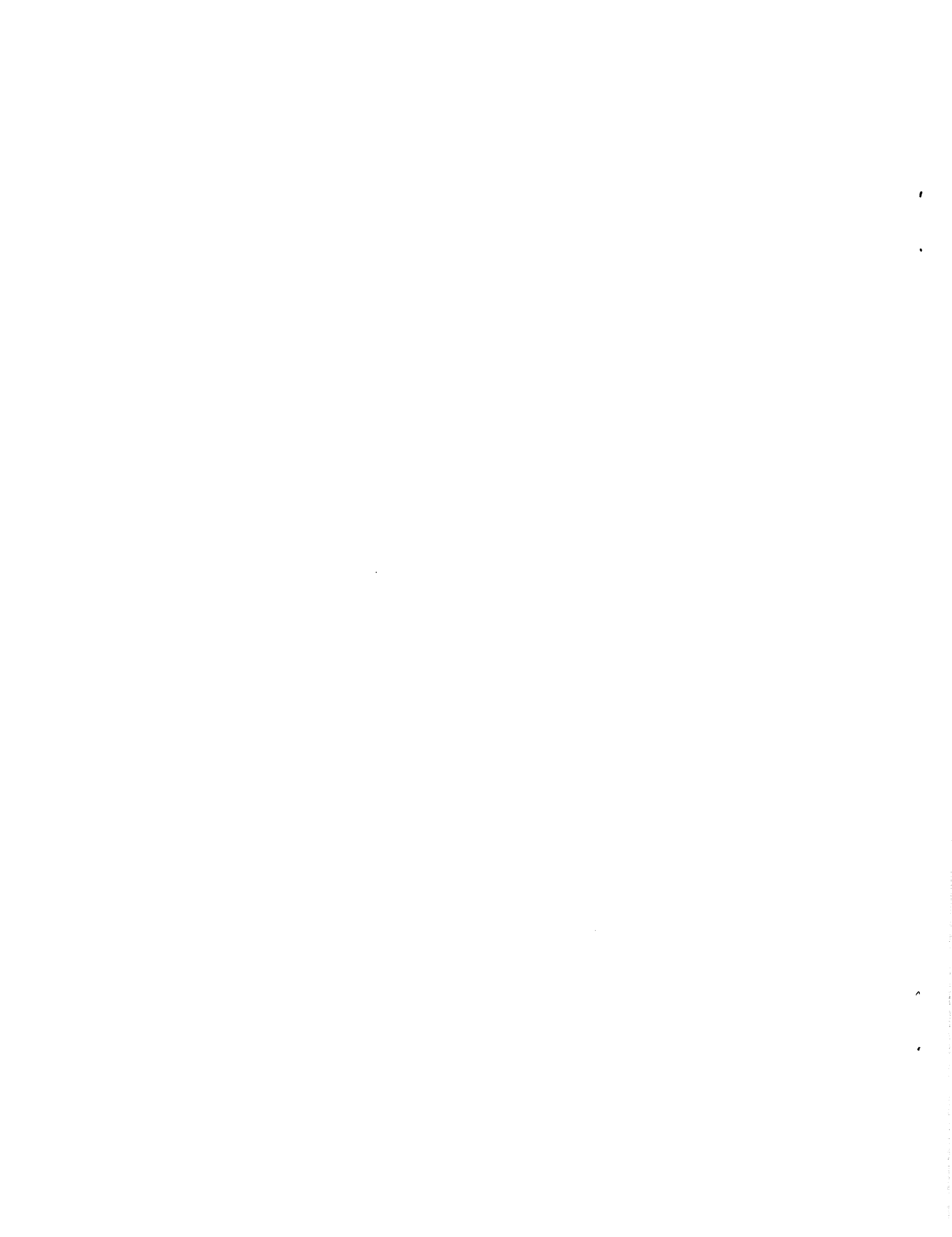
**Research Memorandum No. 476**

**LEGISLATIVE RESEARCH COMMISSION**

Frankfort, Kentucky

**Committee for Program Review and Investigations**

November 1996





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## MEMORANDUM

**TO:** Legislative Research Commission

**FROM:** Sentor Joey Pendleton, Chair  
Representative Jack Coleman, Co-Chair  
Program Review & Investigations Committee

**SUBJECT:** Preliminary Review:  
Department for Local Government  
Community Development Block Grant Housing Program

**DATE:** December 3, 1996

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At the September 1996 meeting, staff was requested to do a preliminary review of DLG's housing programs. This review was requested by Senator Joey Pendleton, who was concerned about construction problems he had observed in local CDBG projects.

On November 14, 1996, the Committee heard the staff report and DLG testimony. Based upon a limited review of the program, eight operational concerns were identified. Generally, these concerns were recognized and are being addressed by the current administration of DLG, which began in January 1996. Implementation will take place with the next grant cycle. Some of these changes will require one full grant cycle to determine their effect.

After hearing the staff report and DLG's response, the committee voted to approve the research memorandum for release. No further research was authorized.

DLG was informed that the Committee would request a status report at a future date. The staff report presented to the committee follows.

# Preliminary Review

## Department for Local Government Community Development Block Grant Housing Program

Research Staff: Mike Greenwell and John Snyder

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### Purpose and Scope

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At its September 12, 1996, meeting, the Program Review and Investigations Committee directed staff to conduct preliminary research related to Community Development Block Grant (CDBG) Program housing grants administered through the Department for Local Government (DLG). Concerns were raised that these projects were being completed with little oversight or inspection, and that the quality of work on some of these projects was substandard. This review is limited to DLG's efforts in administering the CDBG Program. How cities select individual projects, choose third party administrators, issue contracts, and oversee performance was not a part of this preliminary research and is not addressed by this memo.

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### Overview/Summary

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DLG provides housing grants to local governments through the Community Development Block Grant (CDBG) Program. Local governments are responsible for submitting grant proposals and administering all contractual and program matters after receipt of a grant. Reviews of the program by the State Auditor and the DLG identified several problems, including quality and inspection of work, completion time frames, payment methods, and grant amendment policies. The new Commissioner of DLG indicates that actions have been taken to deal with these problems. Because these changes have not had a chance to affect the majority of projects presently underway, it may be premature to attempt to evaluate their effect. A review of the effect of these changes and DLG's administration of the program after at least one annual funding cycle has passed would probably be more beneficial.

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### Program Description

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Housing-related programs administered by the DLG are funded by the CDBG Small Cities Program, which serves communities with a population under 50,000. All cities and counties in Kentucky are eligible for participation in the Small

Cities' Program, except the following jurisdictions covered under the CDBG Entitlement Program: Ashland, Covington, Henderson, Hopkinsville, Owensboro, Lexington/Fayette County, Louisville, and Jefferson County.

### CDBG Housing Grants Totaled \$9.5 Million in 1995

Communities can seek funding under the CDBG for projects in four areas: Housing, Economic Development, Public Facilities, and Community Projects. This memo focuses on the use of CDBG funds for Housing Projects. The total CDBG grant for Kentucky over the past ten years has ranged from a low of \$25.5 million in 1986 to a high of \$37.1 million in 1994. In 1995, the CDBG grant was reduced to \$29.7 million. Attachment 1 shows how CDBG Small Cities funds were allocated among these four categories from 1986 through 1995. The allocation of funds to the various areas is the decision of the administering agency, in this case the DLG. The percent of the CDBG grant that is used for housing has ranged from 0% in 1988 to 35% 1994. The Housing share of the CDBG grant has decreased in the past two years to 30% in 1995 and 25% in 1996.

The state's goal for the Housing component of the Small Cities CDBG Program is "To improve the condition of housing and expand fair housing opportunities especially for persons of low and moderate income." Objectives laid out by the state under this goal include encouraging rehabilitation of existing housing, encouraging the creation of new housing units and new sites for home construction, and eliminating blighted conditions in residential areas through demolition and related activities. Activities undertaken in the Housing program can include acquisition and demolition of dilapidated structures, rehabilitation of deteriorating homes, conversion of vacant buildings to low-income apartments, new construction, relocation of households, and small neighborhood-based water and sewer line projects.

Communities apply to the DLG to receive CDBG housing funds. Selection of projects is based on a competitive rating and ranking system conducted by a three-member team from the DLG. Scores from this system are then verified by site visits to top-

ranking programs. The team then makes its final recommendations to the Commissioner of the DLG, who selects the communities that will receive projects. Over the past five years, all the recommended projects have been selected without amendment.

The rating system used by the DLG team to select grant recipients is based on the following criteria:

- **Community Need** – Degree of poverty based on number of people and percent of population in poverty. This statistic is computed independent of the DLG team’s evaluation and added to that score.
- **Project Need** – Degree of severity of deficiency in affordable housing.
- **Reasonable Costs** – Reasonableness of budgeted costs and results to be achieved.
- **Financing** – Appropriateness given income levels of participants, amount of local matching funds to be used.
- **Project Effectiveness** – Extent of program accomplishments.

### 35-63% of Applicants in a Given Year Received CDBG Housing Grants

Table 1 shows the number of CDBG grant applicants and recipients for the years 1989 through 1995. The number of applicants for grants in these years ranged from 14 to 33, and the number of grants awarded ranged from 7 to 15. Attachment 2 shows the CDBG housing projects approved from 1989 to 1995. Most of the grants given out in any one year are awarded in equal amounts to all selected communities.

**TABLE 1  
CDBG GRANT APPLICANTS AND RECIPIENTS  
1989 - 1995**

YEAR	GRANT APPLICATIONS	GRANTS AWARDED	% OF SUCCESSFUL APPLICANTS
1989	14	7	50%
1990	20	9	45%
1991	19	10	53%
1992	27	11	41%
1993	33	12	36%
1994	24	15	63%
1995	22	10	45%

SOURCE: DLG Use of Funds Reports, 1989-1995

## Roles and Responsibilities

The process of application, award, administration, and oversight of CDBG awards involves three major players: the DLG, the local governments, and the third party administrators that most communities contract with to administer the project. While the use of a third party administrator is not a requirement, most of the Small Cities Program grant recipients use one, because the city does not have the staff or the expertise to write the grant application and administer the program. Most of the TPAs are private individuals or firms, although some Area Development Districts have served as administrators for CDBG grant projects. The general fee for TPA services is 10% of the total project cost. Although HUD allows administrative costs of up to 20%, DLG limits the allowable administrative costs to 10%.

### DLG Selects Projects for Funding and Establishes Procedures

The DLG has many responsibilities in the CDBG program. DLG establishes the program guidelines and application procedures, develops the selection criteria, evaluates applications and selects recipients, provides technical assistance and training, and monitors the projects. Many of these duties have already been described. In fulfilling its responsibility to monitor funded communities for program compliance, the DLG conducts site visits at 50% of project completion and at the end of the project, mandates extensive record keeping on the part of the project administrator, and requires independent audits of project records.

### Cities Develop Proposals, Choose Contractors, and Oversee Project Completion

Local governments are responsible for the completion of the project work in accordance with the program guidelines. This includes submitting grant applications, selecting appropriate participants and securing their contribution, advertising for and evaluating bids for project work, entering into work contracts (except when the work is being done on a private home), maintaining project records, administering the project, and monitoring and evaluating the operation of the project. When the work is done on a private home, the homeowner is the party who enters into the contract with the construction firm. Most localities seem to pass on most, if not all, of these responsibilities to the TPA. However, the local government remains financially liable for the integrity of the project.

### **Third Party Administrators Generally Oversee Project for the City**

The TPA's responsibilities on any individual project will depend on the contract between the city and the TPA on that project. The responsibilities can include all of those responsibilities previously mentioned as belonging to cities. Attachment 3 is a copy of a sample contract between a city and TPA, as shown in the State of Kentucky 1994 Handbook for KCDBG Grantees, published by the DLG. The items listed under the "Scope of Services" section include most of the tasks involved in administering a project from start to finish. Additionally, although it is not mentioned in the sample contract, many cities use the same TPA that administers the project to write the grant application.

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### **Program Concerns and DLG Response**

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Over the course of the past few years, several concerns regarding the administration of the CDBG Small Cities Housing program have come to light. Several problems were identified by the Auditor of Public Accounts in his 1995 review of the DLG's operation of the CDBG program from FY 1990 through FY 1994. A copy of the executive summary is attached (Attachment 4). Recommendations 1 - 5 specifically deal with DLG's management and oversight of the program and are most relevant here. DLG Officials expressed these same concerns, along with some new problems, in interviews with Program Review staff. Additionally, some other local and state officials expressed concerns in staff interviews. The following is a list of the major concerns, a brief description of their nature and scope, with responses by DLG, which usually take the form of a recent DLG initiative or program change.

#### **Amendments to Projects**

**CONCERN:** The Auditor's report noted that 24 of the 30 projects started in the years 1990-1992 had been amended, nine of them significantly, with a reduction in the local financial contribution being the most likely amendment. The Auditor's Office indicated the DLG needed to establish guidelines for approving project amendments. In interviews with Program Review staff, DLG officials stated that they look at proposed amendments in terms of how many people would be served after the change. If the number of people served is unchanged or changed only slightly from the original application, it is likely that the amendment will be approved. Another effect of amending out local funds is that the local contribution to the project is one of the factors on

which a grant application is evaluated. This raises concerns that the project would not have been awarded at the amended funding level and that other cities not awarded grants were unfairly excluded.

**DLG RESPONSE:** To combat the problem of amending out local matching money, DLG instituted a requirement beginning in the 1995 grant cycle, that all local contributions must be secured and placed in restricted accounts before any CDBG money can be drawn on a project. Further, DLG now requires the local government to pay its contribution to the project in accordance with the progress of the work, and not after all federal moneys have been exhausted, as was the case previously.

#### **Local Government Knowledge of Responsibilities**

**CONCERN:** DLG officials expressed concern in interviews that local officials were not fully aware of their responsibilities under the CDBG grant. They said local officials were likely to take the word of the TPA on most matters relating to the administration of the program.

**DLG RESPONSE:** DLG has instituted training sessions that local government officials must attend before their communities can receive CDBG grant funds. These training sessions outline the local governments' responsibilities, including financial responsibility if the project is not administered properly.

#### **DLG Oversight / Field Audits**

**CONCERN:** The Auditor's report stated that problems found during DLG monitoring of a project were not aggressively pursued by DLG staff. In another area, the Auditor recommended that DLG perform post-project performance reviews on TPAs and use this information in evaluating future project applications.

**DLG RESPONSE:** The DLG feels that they do not have sufficient staff to do any more monitoring than they presently perform (three times during a project: at the beginning, middle and end). Officials state that if any audit or review deficiency from either the DLG or an independent audit is uncovered, no more funds can be drawn down on that project until the matter is clarified. The DLG is interested in the idea of TPA reviews, but at the present time does not have the staff to perform them. The DLG would need to increase its staff resources to expand efforts in both these areas.

## Quality of Work / Inspection

**CONCERN:** Some recipients have complained that the work done on the CDBG housing projects is of poor quality. DLG is aware of these concerns and in one case, the city of Lafayette, in Christian County, actually met with homeowners, local officials and the TPA to discuss homeowners' concerns and rectify problems. DLG officials admit that their staff does not have the expertise to judge the quality of work in a way that approaches an inspection.

**DLG RESPONSE:** DLG recently enacted a provision in the grant agreement for the 1996 round of grants that requires every project to be inspected by a certified building inspector who is not an employee of the TPA. DLG also has applied this provision retroactively to the 45 CDBG housing projects that are still open, some of which were originally awarded as far back as 1991. The lack of available certified building inspectors in many areas of the state may affect implementation of this solution.

## Payment of Administrators

**CONCERN:** The Auditor's Office found fault with the way DLG structured its payment of project administrative costs to the TPAs, saying the system created a disincentive for completion of projects according to the original project application. In support of this conclusion, the Auditor's report cited the fact that the DLG structure of payment was not tied to work completed, but rather the percentage of CDBG funds drawn down. Also, 100% of the administrative fees were paid, regardless of compliance with the original project application. When the scope of a project was reduced, there was no corresponding decrease in the administrative fees.

**DLG RESPONSE:** The DLG has taken steps to tie administrative fees more closely to work completed. Under new guidelines, the percentage of administrative funds paid cannot exceed the percentage of work completed by more than 20 percentage points. Additionally, DLG has instituted a holdback of 10% of each administrative fee payment to the administrator until the project is officially closed out.

## Projects Remaining Open for Long Times

**CONCERN:** DLG is concerned about projects being open for long periods of time. Attachment 5 shows a list of the 45 open CDBG Housing projects by year. Of these 45 projects, 21 were granted in 1993 or earlier.

**DLG RESPONSE:** To combat this problem, DLG has established an expectation that the grant agreement should be executed (including securing of all outside funding) within 180 days after the award of the grant. Once the grant agreement is executed, the project should begin within 3 months and be closed out within 24 months. Exceptions to this requirement can be granted based on the circumstance of individual projects.

## Conflicts of Interest

**CONCERN:** The Auditor's report documented four cases where city council members received benefits from the CDBG program in violation of the state program guidelines. In all four instances the conflict has been resolved. This problem stems mainly from the requirements of the CDBG guidelines, which, by prohibiting any benefit from going to a council member, are much more stringent than either HUD guidelines or the Kentucky Revised Statutes (KRS).

**DLG RESPONSE:** This potential problem has been resolved by changing the wording in the program guidelines to correspond more closely with KRS 61.252, which requires only that a council member declare his involvement and abstain from voting on any action involving his property.

## Limited Number of TPAs Handle Majority of CDBG Projects

**CONCERN:** A review of DLG records of open CDBG Housing projects reveals that a small group of TPAs are administering the majority of projects in the state. Of the 45 open projects, 41 are being administered by just four companies: Will Linder & Associates; Frank Mosko & Associates; John Talbert & Associates; and Mayes, Sudderth, & Etheredge. However, cities are required by both statutes and the program guidelines to follow contracting procedures that include competitive bidding for contracts. But if the services are obtained through a single source provider, then negotiated contracting is permitted. It is unclear whether this situation is a problem, or how large a problem it might be, because staff did not examine the ways in which cities secured the services of TPAs.

**DLG RESPONSE:** DLG officials are aware of this situation, consider TPAs to be single source providers, and say that this situation stems from the specialty nature of administering this particular grant. Over the years, a few TPAs have garnered expertise in writing grant applications and administering projects. It is not unusual for a TPA to approach a city with a proposed grant application.





## ATTACHMENT 1

# TOTAL CDBG SMALL CITIES GRANT FUNDS AND ALLOTMENT AMONG CATEGORIES 1986 - 1995

**SOURCE:** Department for Local Government October, 1996



**SUMMARY  
USE OF FUNDS REPORT  
1986 - 1995**

1986 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$7,395,852.00	\$0.00	0.0%
Public Facilities	7,395,852.00	0.00	0.0%
Economic Development	8,316,565.00	0.00	0.0%
Special Projects	1,800,896.39	0.00	0.0%
Administration	605,160.00	0.00	0.0%
<b>TOTAL</b>	<b>\$25,514,325.39</b>	<b>\$0.00</b>	<b>0.0%</b>

1987 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$7,838,484.00	\$0.00	0.0%
Public Facilities	7,727,817.26	0.00	0.0%
Economic Development	5,512,810.00	0.00	0.0%
Special Projects	3,847,142.02	10,572.00	0.3%
Administration	606,560.00	0.00	0.0%
<b>TOTAL</b>	<b>\$25,532,813.28</b>	<b>\$10,572.00</b>	<b>0.0%</b>

1988 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Public Facilities	\$11,060,607.00	\$280,148.50	2.5%
Economic Development	6,119,334.00	0.00	0.0%
Special Projects	7,669,668.45	81,960.00	1.1%
Administration	591,240.00	0.00	0.0%
<b>TOTAL</b>	<b>\$25,440,849.45</b>	<b>\$362,108.50</b>	<b>1.4%</b>

1989 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$4,574,617.00	\$0.00	0.0%
Public Facilities	9,736,287.00	94,938.60	1.0%
Economic Development	4,065,422.16	0.00	0.0%
Special Projects	6,964,206.00	226,885.00	3.3%
Administration	611,300.00	0.00	0.0%
<b>TOTAL</b>	<b>\$25,951,832.16</b>	<b>\$321,823.60</b>	<b>1.2%</b>

1990 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$2,706,056.00	\$0.00	0.0%
Public Facilities	10,257,345.00	579,253.35	5.6%
Economic Development	5,746,408.24	0.00	0.0%
Special Projects	5,521,615.00	33,489.25	0.6%
Administration	594,440.00	0.00	0.0%
<b>TOTAL</b>	<b>\$24,825,864.24</b>	<b>\$612,742.60</b>	<b>2.5%</b>

**SUMMARY  
USE OF FUNDS REPORT  
1986 - 1995**

1991 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$5,532,661.00	\$155,740.77	2.8%
Public Facilities	10,371,524.00	367,312.06	3.5%
Economic Development	4,366,908.00	5,000.00	0.1%
Special Projects	6,654,941.00	700,011.41	10.5%
Administration	647,520.00	0.00	0.0%
<b>TOTAL</b>	<b>\$27,573,554.00</b>	<b>\$1,228,064.24</b>	<b>4.5%</b>

1992 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$7,111,115.00	\$105,755.73	1.5%
Public Facilities	9,955,561.00	3,789,678.86	38.1%
Economic Development	7,070,533.00	325,309.58	4.6%
Special Projects	4,384,083.00	1,771,417.70	40.4%
Administration	682,540.00	0.00	0.0%
<b>TOTAL</b>	<b>\$29,203,832.00</b>	<b>\$5,992,161.87</b>	<b>20.5%</b>

1993 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$11,838,431.00	\$2,002,188.97	16.9%
Public Facilities	11,425,251.00	6,587,557.32	57.7%
Economic Development	6,122,824.00	813,180.44	13.3%
Special Projects	3,436,574.00	2,556,155.08	74.4%
Administration	771,700.00	272,588.31	35.3%
<b>TOTAL</b>	<b>\$33,594,780.00</b>	<b>\$12,231,670.12</b>	<b>36.4%</b>

1994 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$12,610,174.00	\$5,888,911.93	46.7%
Public Facilities	12,540,971.00	10,258,881.24	81.8%
Economic Development	9,109,489.00	2,998,260.35	32.9%
Community Projects	2,217,206.00	1,693,419.25	76.4%
Administration	850,160.00	600,160.00	70.6%
<b>TOTAL</b>	<b>\$37,328,000.00</b>	<b>\$21,439,632.77</b>	<b>57.4%</b>

1995 PROJECTS	TOTAL AWARD	UNDRAWN FUNDS	PERCENT REMAINING
Housing	\$9,528,029.00	\$9,411,585.00	98.8%
Public Facilities	11,116,353.00	11,182,076.78	100.6%
Economic Development	4,064,467.00	3,558,486.33	87.6%
Community Projects	1,587,686.00	1,587,686.00	100.0%
EZ/EC	2,575,143.00	2,575,143.00	100.0%
Administration	802,760.00	615,260.00	76.6%
<b>TOTAL</b>	<b>\$29,674,438.00</b>	<b>\$28,930,237.11</b>	<b>97.5%</b>

## ATTACHMENT 2

### CDBG HOUSING PROJECTS APPROVED 1989 - 1995

**SOURCE:** Department for Local Government Use of Funds Reports, 1989 - 1995.



1995 Housing Projects

Applicant	CDBG Dollars	Other Funds	Total Dollars	Description
Clay City	\$1,000,000	\$171,900	\$1,171,900	acq. 12, cle. 22, relo 14, rehab 5, repave street, construct roadside ditches & storm drains
Columbus	\$1,000,000	\$21,000	\$1,021,000	acq. 18, clear 21, relo 18, rehab 11, 29 new sewer system connections
Frankfort	\$1,000,000	\$387,600	\$1,387,600	acq. 22 parcels, acquire 5 lots, clear 14, relo 16, rehab 4, construct 900 l.f. storm sewer, flood relief work, interim financing, counseling
Georgetown	\$1,000,000	\$830,700	\$1,830,700	acq. 15, clear 9, relo 29, rehab 10, homeowner counseling, replace 500 l.f. waterline, repave 500 of street, interim financing, non-profit to construct 2 apt. buildings
Lafayette	\$1,000,000	\$47,000	\$1,047,000	acq. 7, clear 13, relo 7, construct 7 LMI replacement dwellings, rehab 21, connect 14 LMI waterline install 14 septic systems
Maysville	\$740,000	\$139,460	\$879,460	acq. 25, clear 18, relo 8, rehab 5, repave streets, widen 2 intersections, construct off-st. parking, install fire hydrant, extend 240 l.f. main to hydrant
Millersburg	\$1,000,000	\$87,200	\$1,087,200	acq. 17, clear 11, relo 7, rehab 13, road reconstruction-pave & widen, install culverts, drainage improvements
Mt. Sterling	\$1,000,000	\$210,155	1,210,155	acq. 23, clear 19, relo 16, rehab 15, install 1,300 l.f. waterline, replace 1,230 l.f. sidewalk, curb & gutter, sell 12 building lots, homeowner counseling
Poducan	\$1,000,000	\$772,285	1,772,285	acq. 32, clear 81, relo 49, refurbish neighborhood park, construct 3 new LMI units
Shepherdsville	\$1,000,000	\$40,000	\$1,040,000	acq. 17 parcels, clear 17, relo 12, temp. relo for 7, rehab 7, clear existing right-of-way, install 400 l.f. of roadway, including water, sewerlines, curbs, gutters, & streets, provide home maintenance and relo counseling
<b>Total</b>	<b>\$9,740,000</b>	<b>\$2,707,300</b>	<b>\$12,447,300</b>	

## **Explanation of the 1995 Selection Process**

### **HOUSING**

Twenty-two (22) applications were received for the Housing program area. The rating team was made up of four (4) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. Fourteen (14) applications received site visits by the rating team. Upon completion of the site visit the rating team reviewed the applications again and made final selection. Below is a breakdown of the selection criteria.

### **1995 Statistics**

#### **HOUSING PROJECTS**

There are ten (10) projects involving \$12.4 million.

- \$9.7 million is CDBG funding
- \$2.7 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .27
- 78% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$974,000

The projects include:

- 10 Neighborhood Revitalization



## **Explanation of the 1994 Selection Process**

### **HOUSING**

Twenty-four (24) applications were received for the Housing program area. The rating team was made up of four (4) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. Sixteen (16) applications received site visits by the rating team. Upon completion of the site visit the rating team reviewed the applications again and made final selection. Below is a breakdown of the selection criteria.

### **1994 Statistics**

#### **HOUSING PROJECTS**

There are fifteen (15) projects involving \$19.9 million.

- \$13.8 million is CDBG funding
- \$6.1 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .44
- 69% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$920,970

The projects have included:

- 14 Neighborhood Revitalization
- 1 Handicapped Independent Living

1994 Housing Projects

Applicant	CDBG Dollars	Other Funds	Total Dollars	Description
Breathitt County	\$1,000,000	\$444,480	\$1,444,480	acq existing structure, rehab to provide independent living for mentally and developmentally disabled adults
Danville	\$1,000,000	\$525,940	\$1,525,940	acq 23, relo 12, rehab 18, repair sidewalks and drains
Dawson Springs	\$1,000,000	\$281,709	\$1,281,709	acq 6, clear 9, relo 6, rehab 29, provide sewer lines
Emion	\$1,000,000	\$234,500	\$1,234,500	acq 13, clear 13, relo 13, rehab 26
Glencoe	\$292,178	\$185,445	\$477,623	acq 6, relo 6, clear 6, rehab 2, correct road drains, connect new and rehabed units to sewer system
La Grange	\$1,000,000	\$454,109	\$1,454,109	acq 12, clear 18, relo 15, rehab 5, construct sidewalks, curbs, gutters, widen and repair streets, extend sewer and water lines
McCracken County	\$1,000,000	\$319,828	\$1,319,828	acq 11, clear 15, relo 11, rehab 35, construct 2 units, improve storm drains
Mayfield	\$522,384	\$29,500	\$551,884	acq 9, clear 9, relo 7, construct 4 units
Middlesboro	\$1,000,000	\$370,000	\$1,370,000	acq 11, clear 18, relo 7, rehab 36, install curbs and sidewalks, repair 5 streets, upgrade storm drains
Morehead	\$1,000,000	\$624,000	\$1,624,000	acq 17, clear 7, relo 11, rehab 20, street improvements, construct 4 units
Providence	\$1,000,000	\$307,405	\$1,307,405	acq 13, clear 18, relo 13, rehab 18
Richmond	\$1,000,000	\$854,520	\$1,854,520	acq 31, clear 30, relo 18, rehab 19, install curbs, sidewalks, cut-de-sac, storm drains, repair 2 streets
Shelbyville	\$1,000,000	\$635,113	\$1,635,113	acq 24, clear 18, relo 19, rehab 25, widen 2 streets, install curbs and gutters
Vanceburg	\$1,000,000	\$571,525	\$1,571,525	acq 6, clear 19, relo 18, rehab 14, pave streets, extend water and sewer lines, provide fire protection
Wickliffe	\$1,000,000	\$319,550	\$1,319,550	clear 11, relo 11, rehab 34
<b>Total</b>	<b>\$13,814,562</b>	<b>\$6,157,624</b>	<b>\$19,972,186</b>	

## **Explanation of the 1993 Selection Process**

### **HOUSING**

Thirty-three (33) applications were received for the Housing program area. The rating team was made up of three (3) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. Fifteen (15) applications received site visits by the rating team. Upon completion of the site visit the rating team reviewed the applications again and made final selection. Below is a breakdown of the selection criteria.

### **1993 Statistics**

#### **HOUSING PROJECTS**

There are twelve (12) projects involving \$9.8 million.

- \$8.6 million is CDBG funding
- \$1.6 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .19
- 87% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$712,948

The projects have included:

- 12 Neighborhood Revitalization

1993 Housing Projects

Applicant	CDBG Dollars	Other Funds	Total Dollars	Description
Bowling Green	\$750,000	\$447,885	\$1,197,885	acq-14, relo-9, rehab-33, clear-11, repair sidewalks and curbs remove abandoned railroad track, provide counseling
Cadiz	\$750,000	\$169,500	\$919,500	acq-15, relo-14, rehab-18, clear-19, 11 new units
Columbus	\$750,000	\$53,300	\$803,300	acq-14, relo-13, rehab-23, clear-20, 9 new units, replace 4 mobile homes, install septic system
Crofton	\$663,680	\$80,500	\$744,180	acq-5, relo-4, rehab-18, clear-7
Earlington	\$750,000	\$128,700	\$878,700	acq-4, relo-3, rehab-34, clear-16, 1,320 LF of street paved
Knott County	\$740,123	\$31,500	\$771,623	acq-6, relo-1, rehab-19, clear-5, connect 10 to water and 16 to sewer, tap fees waived; landfill and clean-up of target area
LaCenter	\$713,570	\$76,200	\$789,770	acq-4, relo-3, rehab-25, clear-13, street & site improvements
LaFayette	\$743,000	\$123,445	\$866,445	acq-7, relo-6, rehab-29, clear-11, 5 new units, 1 new mobile home, install 21 septic systems, connect 11 to water
Marion	\$750,000	\$185,179	\$935,179	acq-3, relo-1, rehab-19, clear-9, provide 5 with proper sewer systems, install 1,500 LF of water line, correct dangerous intersection, install 1,500 ft. of curb & gutter
Murray	\$750,000	\$119,050	\$869,050	acq-10, relo-5, rehab-25, clear-12, install storm drainage system and sidewalks
Paducah	\$750,000	\$153,500	\$903,500	acq-21, relo-20, clear-22, widen & clear roadside drainage ditches, install storm water channel
Russellville	\$445,000	\$46,000	\$491,000	acq-22, relo-13, clear-18, vacant site to become part of city cemetery, used for burial of LMI residents
<b>Total</b>	<b>\$8,555,373</b>	<b>\$1,614,759</b>	<b>\$9,818,084</b>	

## **Explanation of the 1992 Selection Process**

### **HOUSING**

Twenty-seven (27) applications were received for the Housing program area. The rating team was made up of three (3) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. Fifteen (15) applications received site visits by the rating team. Upon completion of the site visits the rating team reviewed the applications again and made final selection. Below is a breakdown of the selection criteria.

### **1992 Statistics**

#### **HOUSING PROJECTS**

There are eleven (11) projects involving \$14.1 million.

- \$7.7 million is CDBG funding
- \$6.6 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .85
- 53.9% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$698,143

The projects have included:

- 10 Neighborhood Revitalization
- 1 Housing Conversion

1992 Housing Projects

Applicant	CDBG Dollars	Other Funds	Total Dollars	Description
Guthrie	750,000	497,175	1,247,175	acq-22, relo-21, rehab 36, and clear 36
Mason County	299,700	465,100	764,800	acq-14 parcels and rights-of-way to widen streets, relo-4, rehab-10, clear-23, repave streets, connect 3 to water
Princeton	750,000	397,456	1,147,456	acq-12, relo-10, rehab-38, clear-20, resurface street, 2 new units
Drakesboro	750,000	282,015	1,032,015	acq-13, relo-10, rehab-51, clear-17, 10 new units improve drainage
Richmond	750,000	479,475	1,229,475	acq-20, relo-14, rehab-32, clear-29, replace water line, provide sidewalks, curbs, gutters and drainage
Hardinsburg	669,075	284,025	953,100	acq-14, relo-10, rehab-24, clear-20, provide space for park, realign street with curbs, install sewer service, waive tap fees, 1 new unit
Winchester	750,000	240,230	990,230	acq-19, relo-11, rehab-28, clear-26, provide for playground, provide lot for traffic flow, replace water line, improve storm drainage, regrade RR right-of-way
Mt. Sterling	750,000	1,874,689	2,624,689	acq-10, relo 2, rehab-45 units, upgrade parking for handicapped and elderly, senior center, commercial space
Pembroke	745,000	282,815	1,027,815	acq-5, relo-5, rehab-21, clear-12, install water lines, install sewer line, force main, and grinder pump lift station, 1 new unit
Georgetown	715,800	1,127,420	1,843,220	acq-22, rehab-22, clear-14, provide counseling, provide rental assistance.
Shelbyville	750,000	620,525	1,370,525	acq-26, relo-11, rehab-40, clear-17, provide counseling and job training, street improvements, connect 3 to sewer, construct corner for street
<b>TOTAL</b>	<b>7,679,575</b>	<b>6,550,925</b>	<b>14,230,500</b>	

--- **Explanation of the 1991 Selection Process**

**HOUSING**

Nineteen (19) applications were received for the Housing program area. The rating team was made up of three (3) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. Sixteen applications received site visits by the rating team. Upon completion of the site visit the rating team reviewed the applications again and made final selection. Below is a breakdown of the selection criteria.

<b><u>Community Need</u></b>	Degree of poverty based on number and percent of persons in poverty.
<b><u>Project Need</u></b>	Degree of severity of deficiency in housing.
<b><u>Reasonable Costs</u></b>	Reasonableness of budgeted costs and the results to be achieved.
<b><u>Financing</u></b>	Appropriateness given income levels of persons benefiting from the project.
<b><u>Project Effectiveness</u></b>	Extent of program accomplishments.

1991 Statistics  
HOUSING PROJECTS

There are ten (10) projects involving \$9.5 million.

- \$4.9 million is CDBG funding
- \$4.6 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .93
- 51% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$494,083

The projects have included:

- 10 Neighborhood Revitalization



**1991 HOUSING PROJECTS**

<u>Applicant</u>	<u>CDBG Dollars</u>	<u>Other Funds</u>	<u>Total Dollars</u>	<u>Description</u>
Paducah	500,000	262,562	762,562	10 parcels acquired 8 cleared 8 relocated 17 rehabilitated 2 new homes Curb, sidewalk & street replacement
McKee	493,000	79,075	572,075	3 parcels acquired 3 cleared 1 relocated 22 rehabilitated Provide flood drainage control, fire protection
Vanceburg	500,000	132,540	632,540	8 parcels acquired 19 cleared 11 relocated 7 rehabilitated Construct passive park, repave streets, install sewer and water lines, fire hydrant. Install drainage improvements. Waive tap-fees for 11 households.
Shelbyville	500,000	187,655	687,655	20 parcels acquired 15 cleared 7 relocated 5 acquired units rehabilitated and sold to LMI families. 16 rehabilitated Provide youth training program, curbs, sidewalks, street, storm drainage improvements.
Marion	500,000	210,050	710,050	10 parcels acquired 18 cleared 9 relocated 22 rehabilitated 2 new homes
Meade County	500,000	64,900	564,900	6 parcels acquired 17 cleared 11 relocated Pave roads, install gas lines, waive water and gas tap-fees for 11 households.

Bardwell	500,000 ---	252,694	752,694	15 parcels acquired 19 cleared 10 relocated 18 rehabed 2 new homes, repave streets
Ravenna	447,831	40,000	487,831	3 parcels acquired 5 cleared 13 rehabed 3 relocated widen and resurface streets, improve storm drainage
Frankfort	500,000	827,865	1,327,865	18 parcels acquired 16 cleared 20 relocated construct park
Madisonville	500,000	2,546,925	3,046,925	19 relocated move 8 structures 80 acquired 39 cleared 8 rehabed construct park
<b>Total</b>	<u>4,940,831</u>	<u>4,604,266</u>	<u>9,545,097</u>	

## **Explanation of the 1990 Selection Process**

### **HOUSING**

Twenty (20) applications were received for the Housing program area. The rating team was made up of two (2) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. All twenty applications received site visits by the rating team. Upon completion of the site visit the rating team reviewed the applications again and made final selections. Below is a breakdown of the selection criteria.

<b><u>Community Need</u></b>	Degree of poverty based on number and percent of persons in poverty.
<b><u>Project Need</u></b>	Degree of severity of deficiency in housing.
<b><u>Reasonable Costs</u></b>	Reasonableness of budgeted costs and the results to be achieved.
<b><u>Financing</u></b>	Appropriateness given income levels of persons benefiting from the project.
<b><u>Project Effectiveness</u></b>	Extent of program accomplishments.

**1990 Statistics**  
**HOUSING PROJECTS**

There are nine (9) projects involving \$7.2 million.

- \$4.4 million is CDBG funding
- \$2.8 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .63
- 61% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$495,181

The projects have included:

- 9 Neighborhood Revitalization

**1990 HOUSING PROJECTS**

<u>Applicant</u>	<u>CDBG Dollars</u>	<u>Other Funds</u>	<u>Total Dollars</u>	<u>Description</u>
Richmond	500,000	619,973	1,119,973	20 parcels acquired 15 cleared 13 relocated 18 rehabilitated 10 new homes Sidewalk & drainage improvements. YMCA/ Telford Center expansion
Winchester	500,000	560,535	1,060,535	15 parcels acquired 14 cleared 7 relocated 28 rehabilitated 13 new homes
Cadiz	500,000	129,685	629,685	8 parcels acquired 18 cleared 8 relocated 27 rehabilitated Street improvements, install sewer line and develop 2.5 acre multi-purpose park
Crofton	500,000	153,810	653,810	9 parcels acquired 16 cleared 9 relocated 17 rehabilitated 3 new homes Street improvements
Shepherdsville	500,000	411,633	941,633	15 parcels acquired 7 relocated 15 rehabilitated 10 new homes Replace water lines, street improvements and raise 14 homes

**1990 HOUSING PROJECTS  
continued**

<u>Applicant</u>	<u>CDBG Dollars</u>	<u>Other Funds</u>	<u>Total Dollars</u>	<u>Description</u>
Versailles	500,000	305,000	805,000	11 parcels acquired 11 cleared 6 relocated 25 rehabilitated 5 new homes Install water/sewer lines, sidewalk and drainage improvements
McCracken Co.	500,000	262,548	762,548	9 parcels acquired 12 cleared 8 relocated 28 rehabilitated 3 new homes Drainage improvements and connection of 5 homes to sewer system.
Fulton	456,625	181,000	637,625	5 parcels acquired 5 cleared 3 relocated 31 rehabilitated Street improvements
Princeton	500,000	168,450	668,450	9 parcels acquired 11 cleared 9 relocated 17 rehabilitated 3 new homes Street improvements
<b>Total</b>	<b>\$4,456,625</b>	<b>\$2,822,634</b>	<b>\$7,279,259</b>	

1989 HOUSING PROJECTS

<u>Applicant</u>	<u>CDBG Dollars</u>	<u>Other Funds</u>	<u>Total Dollars</u>	<u>Description</u>
Auburn	\$ 346,700	\$ 54,400	\$ 401,100	9 houses acquired 15 cleared 15 rehabilitated Street and sidewalk improvements.
Bellevue	479,380	877,000	1,356,380	Provide new units for the elderly by converting a vacant building into 32 apartments.
Georgetown	487,500	345,000	832,500	12 houses acquired 12 cleared 17 relocated 11 rehabilitated Street, sidewalk, street lighting improvements.
Hickman	361,125	159,000	520,125	Convert second stories of 2 commercial structures to 27 LMI units. Acquire, renovate one structure to become Section 8 and CD agency. Re-develop 4 vacant downstairs shops for commercial spaces.
Paducah	475,000	236,500	711,500	12 houses acquired 6 cleared 2 relocated 29 rehabilitated Curb and sidewalk improvements.
Sharpsburg	487,500	351,687	839,187	8 houses acquired 10 cleared 25 rehabilitated Street and drainage improvements.
Shelbyville	\$ 487,500	\$ 605,565	\$ 1,093,065	17 houses acquired 5 cleared 11 relocated 21 rehabilitated Curb, sidewalks, water line, sewer line improvements.
	<u>\$ 3,124,705</u>	<u>\$ 2,629,152</u>	<u>\$ 5,753,857</u>	

## **Explanation of the 1989 Selection Process**

### **HOUSING**

Fourteen (14) applications were received for the Housing program area. The rating team was made up of three (3) staff members from the Division of Community Programs, Department of Local Government. Applications were reviewed and ranked according to five rating criteria. All fourteen applications received site visits by the rating team. Upon completion of the site visit the rating team reviewed the applications again and made final selection. Below is a breakdown of the selection criteria:

### **1989 Statistics**

#### **HOUSING PROJECTS**

There are seven (7) projects involving \$5.7 million.

- \$3.1 million is CDBG funding
- \$2.6 million of the funding was provided by other sources
- Ratio of CDBG dollars to other funds is 1 to .84
- 54% of the total funding has been provided by CDBG funds
- Average CDBG funding per project is \$446,386

The projects have included:

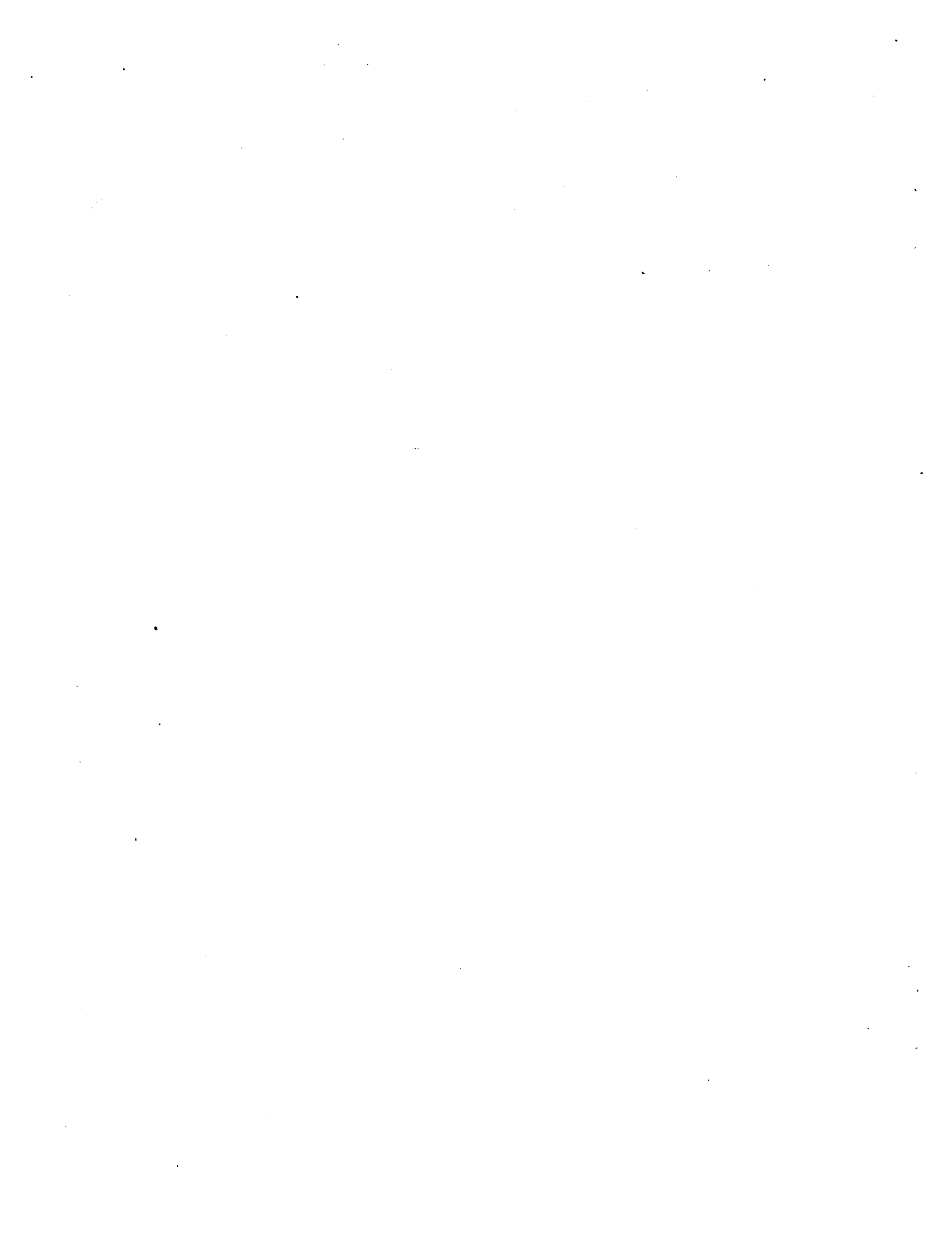
- 2 Housing Conversions
- 5 Neighborhood Revitalization



## ATTACHMENT 3

### SAMPLE CONTRACT BETWEEN CITY AND TPA TO ADMINISTER CDBG PROJECT

**SOURCE:** State of Kentucky 1994 Handbook for KCDBG Grantees.



CONTRACT FOR PROFESSIONAL SERVICES  
Community Development Block Grant Program

PART I – AGREEMENT

This Contract for professional services is by and between the CITY OF WEST LINN, State of Kentucky (hereinafter called the "City"), acting herein by Deron Troy, Mayor, hereunto duly authorized, and Envirodynamics Incorporated, a corporation organized under the laws of the State of Kentucky (hereinafter called the "Consultant"), acting herein by George Jones, President, hereunto duly authorized:

WITNESSETH THAT:

WHEREAS, the City has entered into an agreement with the State of Kentucky for the implementation of a Community Development Block Grant (CDBG) program pursuant to Title I of the Housing and Community Development Act of 1974; and,

WHEREAS, the City desires to engage the Consultant to render certain technical assistance services in connection with its Community Development program:

NOW, THEREFORE, the parties do mutually agree as follows:

1. Employment of Consultant

The City hereby agrees to engage the Consultant, and the Consultant hereby agrees to perform the following Scope of Services:

2. Scope of Services

The Consultant shall, in a satisfactory and proper manner, perform the following services:

- A. Prepare Environmental Review Record for All Activities. Responsibilities include making a recommendation to the local governing body as to a finding of the level of impact, preparation of all required public notices, preparation for Request for Release of Funds, and acquiring adequate documentation. For activities which are not exempt from Environmental Assessments, an Environmental Assessment will be prepared. For activities which are exempt and/or categorically excluded from Environmental Assessments, prepare a written Finding of Exemption, which should identify the project

or activity, and under which of the categories of exemption it falls. Also include documentation of compliance with requirements of historic preservation, floodplains and wetlands, and other applicable authorities.

B. Coordinate with the community the Request for Payments to ensure consistency with the State Account procedures established for the KCDBG program.

C. Ensure that the community has an acceptable financial management system as it pertains to finances of the KCDBG program. An acceptable system includes, but is not limited to, cash receipts and disbursement journal and accompanying ledgers, the cash control register, and should conform to generally accepted principles of municipal accounting.

D. Establish project files in local government office. These must demonstrate compliance with all applicable Federal, State and local regulations. Monitor project files throughout the program to ensure they are complete and that all necessary documentation is being retained in the community's files.

E. If applicable to the program, assist grant recipients in complying with regulations governing land acquisition (real property, easements, rights of way, donation of property, etc.).

F. Prepare all bid documents and supervise the bidding process consistent with State and Federal Regulations.

G. Secure the applicable wage decision from the State and include it in bid specifications.

H. Prepare construction contracts which comply with Federal regulations.

I. Obtain determination of contractor and subcontractor eligibility from the State.

J. Check weekly payrolls to ensure compliance with wage decisions. Conduct on-site interviews and compare the results with appropriate payrolls.

K. Monitor construction to ensure compliance with Equal Opportunity and Labor Standard provisions.

L. Make progress inspections and certify partial payment requests.

M. Make a final inspection and issue a final certificate of payment.

N. Prepare closeout documents to include Program Completion Report, Final Wage Compliance Report and Certificate of Completion.

Services in each of the above work areas shall be performed under and at the direction of the Director, City Department of Community Development, or his designated representative.

### 3. Time of Performance

The services of the Consultant shall commence on July 1, 199\_\_ and be provided on a per-day basis as requested by the Director of Community Development or his designated representative. Such services shall be continued in such sequence as to assure their relevance to the purposes of this Contract. In any event, all of the services required and performed hereunder shall be completed no later than July 1, 199\_\_.

### 4. Access to Information

It is agreed that all information, data, reports, records and maps as are existing, available and necessary for the carrying out of the work outlined above, shall be furnished to the Consultant by the City and its agencies. No charge will be made to the Consultant for such information, and the City and its agencies will cooperate with the Consultant in every way possible to facilitate the performance of the work described in this Contract.

### 5. Compensation and Method of Payment

The maximum amount of compensation and reimbursement to be paid hereunder shall not exceed \$\_\_\_\_\_ for all services required. All contract work will be performed on a time and

materials basis. Consultant time for principals and staff will be provided at their respective rate of compensation.

In addition to compensation for staff time, the City will compensate the Consultant for his expenses in performing contract tasks. Expense reimbursement shall not exceed the cost of travel in the lowest practicable class of service by common carrier, and will not exceed \$\_\_\_\_\_ per diem for sustenance expenses.

The Consultant shall submit monthly invoices to the City for payment. These invoices shall summarize the number of person-days provided in performing assigned tasks, and shall list the travel and per diem expenses incurred in the preceding month. Invoices shall be submitted by the tenth day of each month for the time and expenses allocated during the previous month. The City will make payment to the Consultant within twenty (20) days after the receipt of each invoice. The Consultant agrees to keep accurate records, including time sheets and travel vouchers, of all time and expenses allocated to the performance of contract work. Such records shall be kept in the offices of the Consultant and shall be made available to the City for inspection and copying upon request.

**6. Ownership Documents**

All documents, including original drawings, estimates, specifications, field notes and data are the property of the City. Consultant may retain reproducible copies of drawings and other documents.

**7. Professional Liability**

Consultant shall be responsible for the use of reasonable skill and care befitting the profession in the preparation of particular drawings, plans, specifications, studies and reports and in the designation of particular materials for the project covered by this Contract.

**8. Indemnification**

The Consultant shall comply with the requirements of all applicable laws, rules and regulations in connection with the services of Consultant, and shall exonerate, indemnify and hold harmless the City, its officers, agents and all employees from and against them, and local taxes or contributions imposed or required under the Social Security, Workers' Compensation, and Income Tax laws. Further, Consultant shall exonerate, indemnify and hold harmless the City with respect

to any damages, expenses or claims arising from or in connection with any of the work performed under this Contract by Consultant. This shall not be construed as a limitation of the Consultant's liability under the Contract or as otherwise provided by law.

9. Terms and Conditions

This Contract is subject to the provisions titled, "Part II -- Terms and Conditions," attached hereto and incorporated by reference herein.

10. Address of Notices and Communications

James Floyd, Director  
Department of Community  
Development  
City Hall, Room 202  
West Linn, KY 01111

George Jones, President  
Envirodynamics, Inc.  
500 Broadway  
Frankfort, KY 40601

11. Captions

Each paragraph of this Contract has been supplied with a caption to serve only as guide to the contents. The caption does not control the meaning of any paragraph or in any way determine its interpretation or application.

12. Authorization

This Contract is authorized by City Resolution \_\_\_\_\_, adopted \_\_\_\_\_, 19\_\_\_\_, copies of which are attached hereto and made a part hereof.

ATTEST:

CITY OF WEST LINN

\_\_\_\_\_  
  
\_\_\_\_\_

By: \_\_\_\_\_  
Deron Troy, Mayor

Date: \_\_\_\_\_

ENVIRODYNAMICS INCORPORATED

By: \_\_\_\_\_  
George Jones, President

Date: \_\_\_\_\_



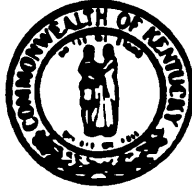


## ATTACHMENT 4

# EXECUTIVE SUMMARY OF AUDITOR'S REPORT ON CDBG PROGRAM

**SOURCE:** Auditor of Public Accounts, 1995





# COMMONWEALTH OF KENTUCKY

REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
REVIEW OF THE DEPARTMENT OF LOCAL GOVERNMENT  
COMMUNITY DEVELOPMENT BLOCK GRANT

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For the Years Ended  
June 30, 1990, 1991, 1992, 1993, and 1994

**A. B. CHANDLER III**  
**AUDITOR OF PUBLIC ACCOUNTS**

144 CAPITOL ANNEX  
FRANKFORT 40601



DEPARTMENT OF LOCAL GOVERNMENT  
COMMUNITY DEVELOPMENT BLOCK GRANT  
EXECUTIVE SUMMARY  
JULY 1, 1990 THROUGH JUNE 30, 1994

Comments and recommendations made by the Auditor of Public Accounts during the course of this CDBG review are summarized below. A more detailed discussion of each comment and recommendation begins on Page 8 of this report.

1) The Distribution of Funds Process Used By The Division Of Community Programs To Distribute CDBG Program Funds Should Be Improved

The distribution of funds process used by DLG to evaluate housing and public facilities project applications contained deficiencies which weakened the overall selection process.

Team members did not score project applications independently but produced one joint score and performed the scoring at the homes of the team members. No evidence of the scoring process other than the final result and a brief justification is kept in the project file.

We recommend team members score each application independently and perform this work in a public place. All evidence of the scoring process should be retained in the project file and be available for public review.

2) Control Over Amendments To CDBG Housing Projects Needs To Be Improved

We found that 24 of the 30 projects started in the years 1990-1992 had been amended, 9 of them significantly. An additional significant amendment had been submitted to DLG for approval. We found the local contribution was the area most likely to be amended. One amendment was for a decrease of \$1,500,000.

We recommend clear guidelines be established for approving project amendments. We believe both the expenditures and reductions in grant funding should be balanced between the federal and the local funding and the practice of funding the projects totally from the federal share while amending out the local contribution should be eliminated.

3) The Payment Structure Of Administrative Fees Should Be Revised

The manner in which DLG has structured its payment of project administrative fees for CDBG projects has created a disincentive for completion of these projects by the administrator in accordance with the original project applications.

We recommend the project administrators receive their fees from both the federal and local funding and that payments more closely match the progress of the project. We also recommend DLG perform post project evaluations on the project administrators and use this information in evaluating future project applications.

**4) Conflicts Of Interest In CDBG Subrecipient Grant Awards Should Be Reviewed And Corrective Action Taken**

---

We found evidence of conflict of interest in housing and water expansion projects where members of the governing body were benefiting from the grants in violation of the grant agreement.

We recommend DLG recover grant funds from grant subrecipients for any members of governing bodies who received project funds; that all subrecipients inform their members of the conflict of interest regulations; and that legal counsel be sought to assist DLG in reviewing and revising the grant agreement section concerning conflict of interest to bring it in line with present state law and federal requirements.

**5) Monitoring Efforts Over CDBG Program Need To Be Strengthened**

---

Problems found during DLG monitoring of projects were not aggressively pursued by the Division of Community Programs. Internal disputes arose over the quality of audit reports performed on subrecipients and DLG did not take firm action to resolve these disputes in a timely manner.

We recommend timely and aggressive steps be taken by DLG to resolve any problems found during monitoring, and that subrecipient audits be more closely reviewed.

**6) Miscellaneous Revenues Should Be More Closely Monitored By DLG**

---

Local government units were not required to obtain prior approval from DLG before expending miscellaneous revenues. Miscellaneous revenues were not monitored and not reported to DLG unless program income was also reported. All income earned on projects awarded from the 1993 allocation and thereafter will be considered program income.

We recommend closer monitoring of expenditures of miscellaneous income by DLG for those projects awarded prior to 1993. For awards after 1993, we recommend tracking, by grant, all income generated from CDBG projects.

**7) Controls Over Tracking And Monitoring Of Expenditures Of Program Income Should Be Strengthened**

---

Program income generated from CDBG projects was not always classified correctly or adequately tracked by DLG. Program income reports were not always reviewed by DLG.

We recommend DLG determine whether income incorrectly classified was spent properly. We also recommend program income be tracked more extensively, with built-in safeguards to anticipate discrepancies. In addition, all program income reports submitted by CDBG subrecipients should be subjected to a thorough review and verification by DLG.

8) Procedures Over Approval For Use Of Program Income Should Be Applied Consistently

Prior approval for the expenditure of program income was not obtained from DLG and an amendment was not submitted from the recipient to deviate from the grant agreement in all cases, as required by the State of Kentucky Handbook for KCDBG Grantees.

We recommend DLG enforce and follow the procedures for prior approval for the use of program income. We further recommend grant amendments be submitted prior to any deviations from the original grant agreement.

9) Close Monitoring Is Needed When CDBG Program Income Is Used As Match For Other Federal Grants

Program income from CDBG projects that is used as a match for a regional multi-county revolving loan fund is allowable as long as all HUD requirements remain attached to the funds. The county must continue to account for these requirements.

We recommend DLG closely monitor all CDBG projects whose program income is used as a match for other federal grants.

10) The CDBG Program Should Fully Utilize The Kentucky State Clearinghouse

Based on interviews with Kentucky State Clearinghouse personnel, who are also located in DLG, we determined the Division of Community Programs occasionally awarded CDBG grants prior to receiving endorsement from the Clearinghouse. Endorsements were not always received timely from the Clearinghouse. Poor communication existed between the Division of Community Programs and the Clearinghouse creating additional problems.

We recommend fully utilizing Kentucky State Clearinghouse recommendations which should be received in a timely manner. We also recommend improved communications between these two internal units of DLG.

11) The Kentucky Community Development Block Grant Annual Program Guidelines Should Be Promulgated as Regulations

DLG annually develops program guidelines and a Handbook that provide guidance to applicants and recipients of CDBG grants.

We recommend these guidelines and the Handbook be promulgated as administrative regulations as proscribed by KRS 13A.100(1).

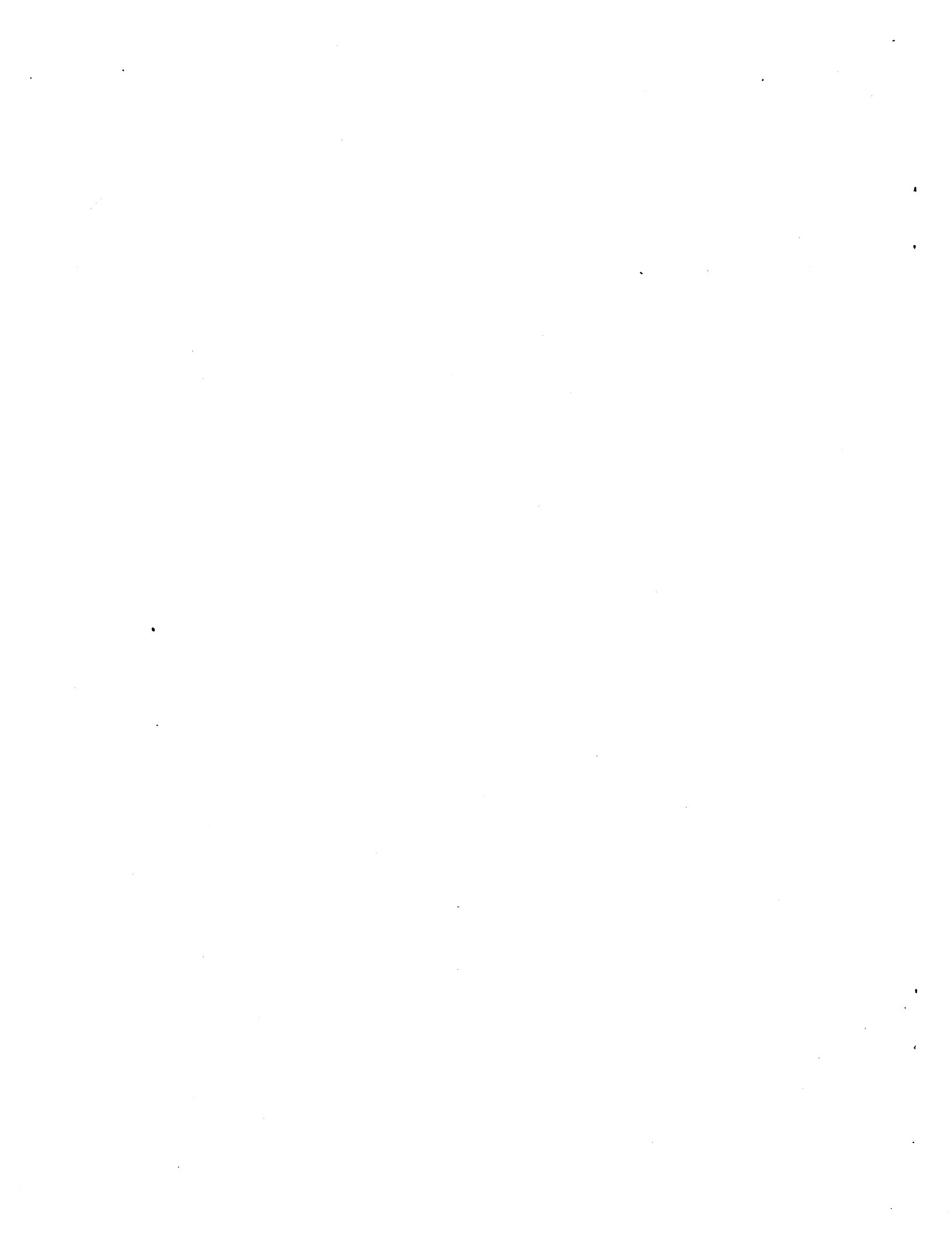




## ATTACHMENT 5

# OPEN CDBG HOUSING PROJECTS AS OF NOVEMBER 1996

**SOURCE:** Department for Local Government



KENTUCKY COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT LISTING

STATUS	CO.	ADD.	CD.	STAFF	TYPE	YEAR	NO.	COMMUNITY	CDRG.AMOUNT	ARC.AMOUNT	TOTAL.AMOUNT	TITLE	OFFICIAL	CONTACT
O	020	01	01	JB	H	91	(052)	Bardwell	\$500,000.00	\$500,000.00	\$500,000.00	Great River Road Redevelopment Project	Brenda Douglas	John Talbert
O	054	02	01	DH	H	91	(053)	Madisonville	\$500,000.00	\$500,000.00	\$500,000.00	Dr. Festus Clayton Memorial Park Project	Phillip Terry	John Talbert
O	033	15	06	JB	H	91	(054)	Ravenna	\$447,831.00	\$447,831.00	\$447,831.00	Daniel's Addition Improvements Project	Beverly Thompson	BGADD
O	017	02	01	JB	H	92	(009)	Princeton	\$750,000.00	\$750,000.00	\$750,000.00	Barkleysville Redevelopment Project-Final Phase	Sherman F. Chandon	John Talbert
O	024	02	01	JB	H	92	(010)	Pembroke	\$745,000.00	\$745,000.00	\$745,000.00	Baptist Town Redevelopment Project	Dorothy M. Dossert	John Talbert
O	106	06	04	JB	H	92	(011)	Shelbyville	\$750,000.00	\$750,000.00	\$750,000.00	Martinsville Phase III Project	Donald Cubert	Will Linder
O	081	08	04	JB	H	92	(012)	Mason County	\$299,700.00	\$299,700.00	\$299,700.00	Mayslick Housing Project	Jama L. Gallenstein	Kris Lowry
O	014	05	02	DH	H	92	(014)	Hardinsburg	\$669,075.00	\$669,075.00	\$669,075.00	Smoketown/Gilbert Heights Project	Donald R. Young	John Talbert
O	073	01	01	DH	H	93	(004)	Paducah	\$750,000.00	\$750,000.00	\$750,000.00	Littleville Relocation Project	Geraldine Montgomery	John Talbert
O	018	01	01	CA	H	93	(005)	Murray	\$750,000.00	\$750,000.00	\$750,000.00	North Douglas Redevelopment Project, Phase I	William N. Cherry	John Talbert
O	054	02	01	CA	H	93	(006)	Earlinton	\$750,000.00	\$750,000.00	\$750,000.00	Johnson Hills Redevelopment Project	Mary Shelton	John Talbert
O	028	02	01	DH	H	93	(007)	Marion	\$750,000.00	\$750,000.00	\$750,000.00	Weldon Street Redevelopment Project	Michael D. Alexander	John Talbert
O	004	01	01	CA	H	93	(008)	LaCenter	\$713,570.00	\$713,570.00	\$713,570.00	LaCenter Housing Redevelopment Project	George Lamar Bryant	Frank Mosko
O	024	02	01	JB	H	93	(009)	Crofton	\$663,680.00	\$663,680.00	\$663,680.00	Princeton Street Redevelopment Project	Daniel F. Lacy	John Talbert
O	060	12	05	JB	H	93	(010)	Knot County	\$740,123.00	\$740,123.00	\$740,123.00	Caney Creek Housing Project	Homer Sawyer	Sharon Widener
O	024	02	01	DH	H	93	(013)	Lafayette	\$743,000.00	\$743,000.00	\$743,000.00	Lafayette Housing Redevelopment Initiative Project	Dickey R. Reece	Frank Mosko
O	015	06	02	DH	H	93	(049)	Shepherdsville	\$396,025.00	\$396,025.00	\$396,025.00	Clifty Street Redevelopment Project	Sherman Timnell	Rob Nicholas
O	100	14	05	CA	H	93	(053)	Somersett	\$750,000.00	\$750,000.00	\$750,000.00	Salt River Revitalization Phase II Project	Jama R. Williams	Kris Lowry
O	065	12	05	JB	H	93	(055)	Beattyville	\$817,210.00	\$817,210.00	\$817,210.00	Crystal Creek Affordable Housing Project	Charles Beach III	Will Linder
O	076	15	06	CA	H	93	(059)	Richmond	\$171,871.00	\$171,871.00	\$171,871.00	Richmond Linden Street Phase III Project	Ann L. Durham	Will Linder
O	037	15	06	DH	H	93	(070)	Frankfort	\$182,790.00	\$182,790.00	\$182,790.00	Bellepoint Flood Mitigation Project	William I. May, Jr.	Will Linder
O	076	15	06	CA	H	94	(006)	Richmond	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Richmond Linden Street Phase III Project	Ann L. Durham	Will Linder
O	103	09	04	JB	H	94	(007)	Morehead	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	West Morehead Phase II Project	Brad Collins	Will Linder
O	093	06	04	JB	H	94	(008)	LaOrange	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Sauer-First Redevelopment Project	Nancy M. Steele	Kris Lowry
O	068	08	04	CA	H	94	(009)	Vanceburg	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Town Branch Redevelopment Project	William T. Cooper	Kristen M. Lowry
O	004	01	01	DH	H	94	(023)	Wickliffe	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Wickliffe Neighborhood Revitalization Project, Phase I	S. L. Mayo	Brad Davis
O	042	01	01	JB	H	94	(024)	Misfield	\$522,384.00	\$522,384.00	\$522,384.00	Kings Drive Redevelopment Project	Arthur Bym	Dick Armstrong
O	117	03	01	DH	H	94	(025)	Providence	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Green Street Redevelopment Project	William C. Villines	Frank Mosko
O	007	13	05	DH	H	94	(026)	Middlesborough	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Middleboro-Queensbury Heights/20th Street Revitalization	Ben Hickman	Will Linder
O	073	01	01	DH	H	94	(032)	McCracken County	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Woodlawn Redevelopment Project Phase II	Danny Orazine	John Talbert
O	106	06	04	JB	H	94	(037)	Shelbyville	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Martinsville Phase IV Revitalization Project	Donald Cubert	Will Linder
O	011	15	06	JB	H	94	(049)	Dauville	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Third Street Revitalization Project	John W. D. Bowling	Will Linder
O	013	12	05	DH	H	94	(052)	Breathitt County	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Rose Building Renovation Program Project	Nim Henson	Will Linder
O	110	02	01	MSC	H	94	(063)	Elkton	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	North Main Street Redevelopment Initiative Project	Bryan W. Blount	Frank Mosko
O	054	02	01	MSC	H	94	(065)	Dawson Springs	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Frederick Street Redevelopment Project	Stacia Peyton	John Talbert
O	009	15	06	CA	H	95	(005)	Millersburg	\$721,400.00	\$721,400.00	\$721,400.00	Miller Street Redevelopment Project	Clyde Sopher	Kris Lowry
O	081	08	04	CA	H	95	(006)	Maysville	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	West Fourth Street Redevelopment Project	Jama R. Litton	Kris Lowry
O	099	15	06	CA	H	95	(007)	Clay City	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Third Avenue Redevelopment Project	Patricia Ashley	Kris Lowry
O	087	09	06	CA	H	95	(008)	Mt. Sterling	\$978,500.00	\$978,500.00	\$978,500.00	Third Avenue Redevelopment Project - Phase I Project	Pert May	Will Linder
O	015	06	02	DH	H	95	(012)	Shepherdsville	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Martins Lee Neighborhood Revitalization - Phase I Project	Sherman Timnell	Will Linder
O	024	02	01	DH	H	95	(013)	Lafayette	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Salt River Neighborhood Revitalization-Phase III Project	Dickey R. Reece	Frank Mosko
O	053	01	01	DH	H	95	(014)	Columbus	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	Lafayette Housing Redevelopment-Phase II Project	Roger Trevino	Frank Mosko
O												Columbus Housing Redevelopment Project-Phase II		

KENTUCKY COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT LISTING

STATUS	CO.	ADD	CD	STATE	TYPE	YEAR	NO.	COMMUNITY	CDRG.AMOUNT	ARC.AMOUNT	TOTAL.AMOUNT	TITLE	OFFICIAL	CONTACT
O	073	01	01	DH	H	95	(029)	Paducah	\$1,000,000.00		\$1,000,000.00	Martin L. King Area Housing Initiative Project	Geraldine Montgomery	Frank Mosko
O	105	15	06	JB	H	95	(030)	Georgetown	\$1,000,000.00		\$1,000,000.00	Bourbon Court Revitalization Project	Warren Powers	Will Linder
O	037	15	06	DH	H	95	(031)	Frankfort	\$828,129.00		\$828,129.00	Bellepoint Flood Mitigation Project	William I. May, Jr.	Will Linder



