

Contract Conditions for Hudson, County New Jersey

October 22, 1991

MEMORANDUM FOR: Anthony M. Villane, Jr., Regional Administrator/
Regional Housing Commissioner, 2S

ATTENTION: Joan T. Dabelko, Director, Office of
Community Planning and Development, 2C

FROM: Anna Kondratas, Assistant Secretary for Community Planning and Development, C

SUBJECT: Fiscal Year (FY) 1991 Contract Condition
Hudson County, New Jersey

This is in response to your memorandum of August 27, 1991, recommending that a grant condition be placed on the FY 1991 Community Development Block Grant (CDBG) for Hudson County, New Jersey, for failure to carry out its CDBG-assisted activities in a timely manner.

Hudson County has a history of slow implementation of its CDBG activities which resulted in its FY 1988, 1989, and 1990 grants being conditioned. Given the magnitude of the County's backlog 60 days prior to the end of its FY 1988 program year (approximately 4.7 times the FY 1988 grant), the FY 1989 grant condition was structured so as to allow the County a three year period in which to reduce its level of unexpended funds to the 1.5 year standard contained in 24 CFR 570.902(a)(1)(i).

The County made significant progress in reducing its unexpended CDBG balance during its FY 1989 program year. However, a large float loan in the amount of \$8.5 million accounted for a substantial portion of the apparent improvement. The terms of the float loan called for it to be repaid in full by September 1991, with an option to extend that date by six months to March 1992. The FY 1990 grant condition thus required Hudson County to reduce its unexpended CDBG balance to 1.5 times the amount of its FY 1990 grant by the end of its program year, August 31, 1991.

Hudson County has met the FY 1990 condition. As of August 31, 1991, the County had a CDBG line of credit balance of \$6,290,062, or 1.37 times its total FY 1990 allocation. Nevertheless, the County has not met the regulatory timeliness standard. As of July 2, 1991 (60 days prior to the end of its program year), Hudson County had an unexpended CDBG balance of \$8,626,423, or the equivalent of 1.87 years of funds. It must also be noted that the \$8.5 million float loan the County made during its FY 1989 program year will soon be coming due. Discussions with Newark Field Office staff indicate that the option to extend the loan's repayment date until March 1992 is expected to be exercised. Thus, midway through its FY 1991 program year, Hudson County will be receiving program income equal to 1.65 times its FY 1991 grant. Pursuant to 24 CFR 570.504(b)(2)(ii), that program income must be expended prior to further draws on the line of credit.

In light of the above, you are authorized to impose the attached special condition on the FY 1991 CDBG entitlement grant for Hudson County, New Jersey. The attached condition requires the County to achieve full compliance with the regulatory timeliness standard by July 2, 1992, 60 days prior to the end of its FY

1991 program year. As noted in our October 26, 1990, memorandum authorizing the FY 1990 grant condition, the County should further be made aware that, with the float loan repayment, achieving this standard will require a significant expenditure level during the FY 1991 program year. Accordingly, if it has not already done so, the County should begin immediately to plan for how it will increase its capacity to accommodate that level.

Attachment

cc: Linda Marston, SC

Hudson County, New Jersey
FY 1991 Special Contract Condition

Pursuant to Section 104(e) of the Housing and Community Development Act of 1974, as amended, HUD has reviewed the performance of Hudson County, New Jersey, in carrying out its Community Development Block Grant (CDBG) program and has determined in accordance with 24 CFR 570.902 that the County has failed to carry out its CDBG-assisted activities in a timely manner.

Therefore, notwithstanding any other provisions of the grant agreement, the County must take such actions as are necessary to expend, in accordance with program requirements, sufficient funds so that the County has no more than \$7,722,000 (1.5 times its 1991 grant) in unexpended funds as of July 2, 1992.

Failure to comply with this grant condition shall be cause for reduction of the Fiscal Year 1991 grant by the amount found to be in excess of \$7,722,000 in unexpended funds as of July 2, 1992, pursuant to 24 CFR 570.910(b)(8) and 570.911, up to the full amount of the 1991 grant.