



**U. S. Department of Housing and Urban Development**  
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[www.hud.gov](http://www.hud.gov)

November 23, 2022

Marc Orlando  
Town Manager  
Town of Hilton Head Island  
1 Town Center Court  
Hilton Head Island, South Carolina 29928

Mr. Orlando:

Subject: Town of Hilton Head Island  
Consolidated End-of-Year Review  
Program Year 2021

The Department of Housing and Urban Development is required to conduct an annual assessment of performance by each formula grant recipient. As part of this process, HUD must determine whether the recipient complies with the program's implementing statutes and regulations. In addition, HUD must determine whether the recipient has the continuing capacity to implement and administer the programs that receive formula funding.

This letter serves to report the results of HUD's assessment of the Town's administration of the Community Development Block Grant (CDBG) program for the reporting period covering July 1, 2021, through June 30, 2022.

### **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM**

The Town was awarded \$232,565 in CDBG funds. The Town reported an expenditure of approximately \$91,386.01 for programmatic activities and \$1,345 for planning and administration activities during the reporting period (see IDIS PR-26 report).

An entitlement grantee may expend up to 20 percent of each grant (plus program income) for planning and administrative costs. During the reporting period, the Town expended 0.58 percent of its CDBG entitlement grant for planning and administration costs. Accordingly, the Town complies with the planning and administrative cap under the CDBG program.

The CDBG regulations at 24 CFR Part 570.201 (e)(1) require that the grantee expend no more than 15 percent of the entitlement grant for that year, plus 15 percent of the program income received during the previous grant year on public service activities. The Town did not expend any CDBG grant funding for public service activities during the reporting period.

In accordance with the regulations found at 24 CFR 570.902(a)(1)(i), HUD tests to determine if the Town is carrying out its CDBG assisted activities in a timely manner. This statutory requirement stipulates that the amount of available and undisbursed grant funds in a grant recipient's line of credit account be no more than 1.5 times the grant recipient's entitlement grant for the current program year, including any program income on hand or funds in a revolving loan fund, referenced as "RL" funds in IDIS. As determined by IDIS, the Town had 1.84 years of undisbursed funds available in its line of credit at the time of its last CDBG timeliness test on May 2, 2022. This undisbursed fund ratio placed the Town outside of the timely expenditure standard and a CDBG Timeliness Deficiency Letter was issued on May 18, 2022. Currently, the Town has 2.93 years of undisbursed funds available in its line of credit. **The next CDBG timeliness test will occur on May 2, 2023, and the Town must draw a minimum of \$292,303 by that date to ensure compliance with the timeliness requirement (see IDIS PR-56 report).** Continued non-compliance with the CDBG timely expenditure requirement may result in sanctions, including the loss of funds and other corrective actions.

The Town must properly record accomplishments and update the activity status in IDIS and perform IDIS draws in a timely manner for all its CDBG-funded activities. This includes updating IDIS to ensure that completed projects include beneficiary/accomplishment information. The IDIS PR-59 Report is a good resource to help grantees achieve compliance with these requirements. HUD may determine activities without beneficiary information as ineligible for failure to meet a CDBG national objective.

### **CARES ACT FUNDING – CDBG-CV**

The Town received a total of \$634,987 in CDBG-CV funds, including \$532,088 in previously awarded funds and an additional allocation of \$102,899 given to the Town on August 31, 2022. The Town reported an expenditure of \$532,088 in FY 2020 and no expenditure during the FY 2021 reporting period.

An entitlement grantee may expend up to 20 percent of each grant (plus program income) for planning and administrative costs. During the FY 2021 reporting period, the Town did not expend CARES Act (CDBG-CV) funding for planning and administration costs. Accordingly, the Town complies with the planning and administrative cap under the CDBG program.

The CDBG regulations at 24 CFR Part 570.201 (e)(1) require that the grantee expend no more than 15 percent of the entitlement grant for that year, plus 15 percent of the program income received during the previous grant year on public service activities. This requirement was waived for CDBG-CV funding. The Town did not expend CDBG-CV grant funding for public service activities during the FY 2021 reporting period.

### **ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING**

As a recipient of HUD formula grant funding, the Town must certify that it will take steps to affirmatively further fair housing within its jurisdiction. The Analysis of Impediments to Fair Housing Choice (AI) is a tool that grantees use to identify and remedy conditions that impede fair housing choice. The Office of Fair Housing and Equal Opportunity and the Office of Public and Indian Housing (PIH) may review the Town's CAPER and may provide substantive comments under separate cover.

**PUBLIC ACCESS**

HUD is required to make this report (inclusive of your comments) available to the public within 30 days of receipt of any comments from the Town. Please share this report with all interested citizens.

**CONCLUSION**

Although the Town has indicated programmatic challenges that may have impacted the disbursement of CDBG funding, HUD has concerns that the Town may not meet the CDBG timely expenditure standard required in accordance with 24 CFR 570.902(a)(1)(i) by the date of its next timeliness test. The Town should expedite project completion to demonstrate that it is administering its CDBG program in accordance with Title I of the Housing and Community Development Act of 1974, as amended; and the National Affordable Housing Act of 1990, as amended; and applicable laws and implementing regulations.

If you have any questions about this review or need additional assistance, please call me at (803) 765-5344 or Adam Housh, Community Planning and Development Representative, at (803) 253-3925 or email at [Adam.M.Housh@hud.gov](mailto:Adam.M.Housh@hud.gov)

Sincerely,

A handwritten signature in blue ink that reads "BRADLEY S. EVATT". The signature is written in a cursive style with a large initial "B".

Bradley S. Evatt, Director  
Community Planning and Development

cc: Marcy Benson, Senior Grants Administrator