



U. S. Department of Housing and Urban Development
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October 31, 2023

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

Subject: Town of Hilton Head Island
Consolidated End-of-Year Review
Program Year 2022

Mr. Orlando:

The Department of Housing and Urban Development is required to conduct an annual assessment of performance by formula grant recipients of its Community Planning and Development Programs. This review covers the Town of Hilton Head Island's Community Development Block Grant (CDBG) program and its Community Development Block Grant CARES Act (CDBG-CV) program for the reporting period covering July 1, 2022 – June 30, 2023. The purpose of this letter is to report the results of HUD's review and determine whether the Town complies with the statutes and regulatory requirements and has the continuing capacity to implement and administer the program for which assistance is received.

HUD's evaluation of the Town's 2022 performance is based on documents and reports submitted by the Town and ongoing technical assistance provided throughout the year. The information examined includes the Town's Consolidated Plan, 2022 Annual Action Plan, CARES Act progress, data from the Integrated Disbursement Information System (IDIS), and the Consolidated Annual Performance and Evaluation Report (CAPER).

Report

HUD's assessment of the Town's performance in administering the CDBG and CDBG-CV programs during the 2022 program year:

- The Town addressed the performance measures identified in its PY 2022 Annual Action Plan.

- The Town's 2022 Consolidated Annual Performance and Evaluation Report (CAPER) was initially received by HUD on September 27, 2023, and a final revision was received on October 23, 2023.
- The CDBG Financial Summary Report (PR26) indicated that 100 percent of the CDBG expenditures during PY 2022 benefitted moderate-income persons. The report indicates the Town spent 0.66 percent of CDBG funding for planning and administration costs, which is within the 20 percent cap for this activity. The Town spent zero percent of its CDBG funding for public service activities during the reporting period. 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. Consequently, the Town complies with the public service cap under the CDBG program.
- HUD's assessment of a grantee's overall program progress includes the grantee's compliance with the timely expenditure requirements of the CDBG program as outlined in section 570.902 of the regulations. A grantee is considered compliant if 60 days prior to the end of its program year, there is no more than 1.5 times its annual grant remaining in the line of credit, including any program income on hand. This test includes the program income that a grantee may have on hand in a revolving loan fund, referenced as "RL" funds in IDIS. The analysis is performed 60 days prior to the end of the Town's program year (June 30). Compliance is determined by dividing the total amount of funds available by the Town's most recent CDBG grant, which results in a ratio reflecting the number of years of CDBG funding the Town has available. The regulations state that this ratio must not be greater than 1.5. The Town's ratio on May 2, 2023, was **2.69** and was the Town's second consecutive year of being untimely. On June 8, 2023, the Town submitted its first monthly workout plan and as of October 31, 2023, the Town has fallen behind on its projected disbursements. HUD is concerned about the Town's ability to disburse CDBG funds to achieve compliance with the 1.5 requirement prior to **the next CDBG timeliness test which will occur on May 2, 2024.**
- Under the CARES Act, the Town of Hilton Head Island received a total of \$634,987. The CDBG-CV Round 1 grant agreement in the amount of \$140,213 executed on July 21, 2020, and Round 3 for \$391,875 were executed by HUD on November 19, 2020 (CDBG-CV Round 2 was only awarded to States). In addition, on August 26, 2022, the Town received a CDBG-CV reallocation award in the amount of \$102,899. As noted in the CDBG-CV Notice, the public service cap of 15% was waived for CDBG-CV funds. To date, the Town has expended all \$634,987 of its CDBG-CV award. Additional COVID-19 information and guidance related to the CDBG-CV Program can be found at: <https://www.hudexchange.info/programs/cdbg-cv/>
- The IDIS PR-59, PR-02, and PR-56 reports should be reviewed monthly to resolve open activities and to achieve compliance with the timeliness expenditure requirements. According to the PR-59 report, the Town has no flagged activities. The Town should continue to record accomplishments, update the activity status in IDIS and perform IDIS draws in a timely manner for all its CDBG-funded activities.

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. HUD's Office of Fair Housing and Equal Opportunity (FHEO) may review the CAPER and any comments will be transmitted separately.

PUBLIC ACCESS

HUD welcomes any comments the Town would like to make regarding this letter and encourages the Town to comment on this assessment within the next 30 days. At the conclusion of this period, HUD is required to finalize its assessment and make the results available to the public. The Town can assist in making these determinations available to the public through distribution to citizens at public meetings, through Councils of Government, or the local media.

If you have any questions about this review or need additional assistance, please call Jacqueline Moses, CPD Representative at (803) 253-3225.

Sincerely,



Bradley S. Evatt, Director
Community Planning and Development

cc: Marcy Benson, Senior Grants Administrator