

Cover Letter

To: City of Moore Management,

HORNE LLP has completed its quarterly review of controls and risks for the Community Development Block Grant Disaster Recovery (CDBG-DR) program and associated funding for the City of Moore. The review period was from October 1, 2015 through December 31, 2015. We performed this quarter's review on March 22, 2016 through March 24, 2016. Please find attached our report detailing the risks and controls identified, along with our recommendations for curative action.

The City of Moore personnel with whom we worked conducted themselves with the utmost professionalism during our visit. We are also pleased to hear about the City's decision to hire an additional compliance specialist. Disaster recovery funding is extremely time-intensive to manage, and an additional team member will certainly improve the program's ability to serve the people of Moore.

If the City's management has any questions about our report, or would like to discuss further, we are available at management's convenience. HORNE thanks you for the opportunity to serve the City of Moore.

Sincerely,



Ann Cleland
Partner
HORNE LLP

City of Moore

**Internal Audit Report on Design and Operating
Effectiveness of Internal Controls over CDBG-
DR Transactions**

May 2016



I. Executive Overview

Introduction

We recently completed a review of functions outlined below with a primary objective of evaluating the process and significant control points for effectiveness, adequacy, and efficiency of operations for the CDBG-DR processes performed by City of Moore (the "City"). The audit was conducted in accordance with the terms of our engagement letter and applicable internal audit guidelines. This report is intended solely for the information and use of management and the City Council, and should not be used for any other purpose. The City's oversight authorities may be provided with a copy of this report in connection with fulfilling their respective responsibilities.

Audit Scope

We completed an audit of several functions of the City's CDBG-DR functions in accordance with the terms of our engagement letter. The audit period covered October 1, 2015 through December 31, 2015. The functions covered in our audit for this period are outlined, as follows:

- Program policies and procedures
- Financial internal controls
- Eligibility of cost and procurement method

Our procedures were performed to:

- Evaluate the adequacy of internal controls in place to mitigate the identified risks,
- Evaluate the allowability of transactions,
- Evaluate newly developed policies and procedures as well as changes to policies and procedures following the December 2015 audit.

To accomplish this, we performed the following:

- Reviewed the following documents:
 - Procurement file for Technical Assistance vendor
 - Housing Rehab Program Guidelines
 - Infrastructure & Public Facilities Policy and Procedures Manual
 - Down Payment Assistance Policy and Procedure Manual dated February 2015

- Down Payment Assistance Application
- Section 3 vendor training materials
- City of Moore CDBG-DR Policies and Procedures: Infrastructure and Public Facilities
- City of Moore CDBG-DR Policies and Procedures: Housing Rehabilitation
- City of Moore and Oklahoma City Interlocal Agreement
- Subrecipient Agreement with NHS for DPA program
- City of Moore CDBG-DR Action Plan
- City of Moore CDBG-DR Action Plan Amendment 1
- All active Housing Rehab Program files
- H-02-W-LMI Environmental Review File
- H-03-W-URG Environmental Review File
- H-04-W-LMI Environmental Review File
- City of Moore Section 3 Plan, July 20, 2015
- CDBG-DR-11 File Checklist
- I-01-W-LMA Section 3 & Davis Bacon Weekly Reports (12/3/15 – 3/6/15)
- I-02-W-URG Environmental Review File
- I-04-W-URG Environmental Review File
- I-05-W-LMA Environmental Review File
- I-01-W-LMA Section 3 & Davis Bacon Weekly Reports (12/3/15 – 3/6/15)
- I-20-W-URG Section 3 & Davis Bacon Weekly Reports (12/3/15 – 3/6/15)
- I-02-W-URG Section 3 & Davis Bacon Weekly Reports (12/3/15 – 3/6/15)
- MOB/WOB reports from January to February
- I-19-W-URG Section 3 & Davis Bacon Weekly Reports (12/3/15 – 3/6/15)
- Interviewed key personnel in each function's area
- Reviewed all payroll as well as a random sample of CDBG-DR transactions up to December 31, 2015

It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the processing of data.

Further, the projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

Overview of Issues

During the course of our work, we discussed our findings with management. Our detailed findings and recommendations for improving controls and operations are described in the detailed issue matrix in Section I of this report. A separate listing of general enhancement opportunities not considered to be findings is described in section II of this report.

A summary of key issues is provided below along with the following information:

- **Relative Risk** is an evaluation of the severity of the concern and the potential impact on the operations. Items rated as "High" are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" could escalate into operational issues, but can be addressed through the normal course of conducting business.
- **Resolution Level of Difficulty** is an evaluation of the estimated level of difficulty and potential cost to resolve the concern based on our experience. Items rated as "High" are considered to be difficult to resolve and/or will require a significant amount of planning and management involvement/oversight in order to obtain resolution. Items rated as "Moderate" are not as difficult to resolve and/or do not require a significant amount of planning, but may be time-consuming to resolve. Items rated as "Low" are items that are not complex and/or do not require significant amounts of planning and time to resolve.

Summary of Results			
Issue Description	Page	Relative Risk	Resolution Level of Difficulty
2015-04-01 Unauthorized Down Payment Assistance Program	6	High	Moderate
2015-04-02 Noncompliance with Section 3 program requirements	7	High	High
2015-04-03 Noncompliance with CDBG-DR income requirements	8	High	Moderate
2015-04-04 Incomplete Housing Rehab Program files	9	High	Low
2015-04-05 Insufficient documentation of income eligibility in Housing Rehab Program	10	High	Moderate
2015-04-06 Inadequate record-keeping practices	11	High	High
2015-04-07 Issues with internal controls and segregation of duties	12	High	Low
2015-04-08 Discrepancies between General Ledger and Project Ledger	13	High	Moderate
2015-04-09 Lack of supporting documentation for Payroll	14	High	High

2015-04-10 Improper Environmental Review	15	High	High
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Opportunities for enhancement are described in Section II of this report.

Conclusion

Audit ratings, as defined below, were assigned based on the identification of the key findings summarized above, as well as other less significant comments that can be addressed by management in the normal course of business.

Ratings	Conditions
Satisfactory	No significant issues noted. Controls are considered adequate and findings, if any, are not significant to the overall unit.
Needs Improvement	Some improvement is needed to bring the function to satisfactory status. If the deficiency continues without attention, it could lead to further deterioration and an unsatisfactory status.
Unsatisfactory	Significant deficiencies exist which could lead to financial loss or embarrassment to the City.

The following is a summary of the assigned rating for each function:

Ratings	Conditions
Internal Controls –Design Effectiveness	Unsatisfactory
Program Design	Unsatisfactory
Internal Controls – Operating Effectiveness	Unsatisfactory

I. Observations and Recommendations

Internal Controls – Design Effectiveness

Observation	Recommendation
<p>1. The Down Payment Assistance Program has not been authorized by HUD.</p>	
<p>We observed the City’s Down Payment Assistance Program has not been authorized by HUD through the existing Action Plan and Action Plan Amendment 1.</p>	<p>We recommend the City obtain HUD approval through the submission of a second Action Plan Amendment to appropriate funds and authorize activity on the newly developed Down Payment Assistance Program. Any funds expended on this activity are at risk of recoupment without prior HUD authorization.</p>
<p>Management Response: The City of Moore is currently in consultation with HUD on the best way to move forward. If the Action Plan Amendment is completed the City will have to update to the most recent data. When updating the data the City will lost all Low/Mod areas within the disaster area. The City will not roll out the Down Payment Assistance Program without an amended Action Plan or further guidance from HUD.</p>	

Program Design

Observation	Recommendation
<p>2. Noncompliance with Section 3 program requirements.</p>	
<p>We observed the following deficiencies in the Section 3 program:</p> <ul style="list-style-type: none"> • Noncompliance with Section 3 training goal • Noncompliance with Section 3 employment goal • No evidence of outreach and recruitment efforts • No documentation of impediments to meeting Section 3 goals from contractors • Lack of compliance monitoring plan and implementation • Inadequate documentation of and adherence to Metropolitan Statistical Area (MSA) to verify residence 	<p>We recommend the City overhaul its Section 3 program design and implementation. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of the Recipient's contract for default, and debarment or suspension from future HUD assisted contracts. (24CFR135.38(F)).</p>
<p>Management Response:</p> <ul style="list-style-type: none"> • Noncompliance with Section 3 training goal: Working on a Section 3 training using power point with voice over. Contractors and subcontractors will register for training during inception of working with Capital Planning and Resiliency Projects and annually thereafter. • Noncompliance with Section 3 employment goal: Section 3 employment goal is address in the Section 3 plan and will be addressed in Section 3 training. Training documentation will be filed. • No evidence of outreach and recruitment efforts: Section 3 training will address recruitment efforts. At a minimum, contractors must consult HUD's Section 3 Registry and notify applicable parties of the opportunity and post opportunities on the primary contractor's website. Proof of outreach be filed and monitored by the City. • No documentation of impediments to meeting Section 3 goals from contractors: In addition to submitting NEW Hire Weekly Report (Form VDR-05-C), when new hired is not Section 3 qualified, contractors will provide evidence of outreach such as: print job posting screen and print screen of Section 3 Registry consultation. In addition, as of January 2016 contractors are required to submit Section 3/MBE/WBE monthly report (Form: VDR 07) with every invoice. • Lack of compliance monitoring plan and implementation: Section 3 training will take effect in May 2016 and annually thereafter. Section 3 MBE/WBE compliance monitoring is effective as of January 2016. Section 3 opportunity outreach will be effective as of June 2016. • Inadequate documentation of and adherence to Metropolitan Statistical Area (MSA) to verify residence: At the time of this review, the City utilized a self-reporting system for new hires. The Section 3 area is currently the City of Moore only. Each new hire completes a form 	

(VDR 05-B) which provides the new employees name and address. The employer is responsible for any validation required and the City may monitor the employer for adequacy of records. Currently, the risk assessment for a new hire to lie on their employment application about their place of residence as well as to lie in completing the Section 3 new hire form is so low that City believes monitoring resources are better utilized elsewhere.

- Due to the work load within the compliance area the City of Moore is currently hiring a second Compliance Specialist, expected start date June 2016.

Internal Controls – Operating Effectiveness

Observation	Recommendation
<p>3. Current projects do not demonstrate compliance with HUD National Objective regarding income requirements.</p>	
<p>We observed the majority of the City’s infrastructure and housing projects both in development and underway serve a population in census tracts with a low-to-moderate income (LMI) percentage below 50%.</p>	<p>We recommend the City devise a strategy to bring the cumulative total for dollars spent on LMI beneficiaries to 50% of total grant excluding planning and administrative. The City must allocate a total of \$20.78 million in grant funds toward LMI beneficiaries.</p>
<p>Management Response: See the attached spreadsheet</p>	

Observation	Recommendation
4. Housing Rehab Program files were found to be incomplete.	
<p>We observed that Housing Rehab applicant files did not consistently contain program forms in compliance with the CDBG-DR-HR 07 Applicant File Checklist, evidence of applicant eligibility status was not clear and communication with applicant was not logged.</p>	<p>We recommend the City review applicant files for completion according to the City's CDBG-DR-HR-07 Applicant File Checklist as found in the Housing Rehabilitation Program Policies and Procedures.</p> <p>As a best practice, we recommend each file include a summary sheet with clear indication of application status and notes to log communication with the applicant on top.</p>
<p>Management Response: Staff will review checklists within the files and an Income Summary Report has been created that outlines each applicants income and defines whether the applicant meets the LMI national objective or the Urgent Need objective.</p>	

Observation	Recommendation
5. Insufficient documentation of income eligibility in Housing Rehab Program.	
<p>We observed applicant income has been determined based on tax documents from 2012 or 2013 which is not the most current information at the time of eligibility determination.</p>	<p>We recommend the City collect current tax information from applicants. Income eligibility is calculated based on current financial status at the time eligibility for assistance is determined. We also recommend the City include a clear calculation of the applicant's income in the file.</p>
<p>Management Response: Files have been updated with tax returns for the year 2014 for each applicant and an Income Summary procedure has been written and an Income Summary form (CDBG-DR-HR 08 A) created to address the concern stated.</p>	

Observation	Recommendation
6. Lack of record keeping quality control/quality assurance practices.	
<p>We observed inadequate record-keeping procedures pertaining to administrative records, financial records, and project files. We observed the following:</p> <ul style="list-style-type: none"> • Files are maintained between two systems: paper and electronic. • File checklists such as <i>CDBG-DR 11</i> and <i>Environmental Checklist</i> with original signature column are not maintained or adhered to in the paper file. • Errors are undetected due to complexity of the recordkeeping system.. 	<p>We recommend the City conduct a quality control review of existing files to ensure documentation to date is evident in the paper files system of record. We also recommend the City ensure maintenance of records through the development and implementation of quality control review procedures that include segregation of duties to limit the occurrence of self-review on work performed.</p>
<p>Management Response: File checklists such as <i>CDBG-DR 11</i> and <i>Environmental Checklist</i> with original signature column are not maintained or adhered to in the paper file: Create a file specifically for Compliance Checklist in Compliance (CDBG-DR 11) folder, this checklist is updated regularly. Environmental Checklist is included in all completed environmental files as of March 25, 2016.</p>	

Observation	Recommendation
7. We observed internal control issues in financial activities.	
<p>During our visit, the City notified us of a duplicate draw down request that resulted in the City carrying \$13,230.67 cash on hand for over 120 days.</p>	<p>We recommend the City develop and implement both controls and procedures to ensure proper review and monitoring of invoice requests. This situation places the City at risk for a Single Audit finding.</p>
<p>Management Response: The Accountant II has reviewed the draw procedures. Additional procedures have been added to the previous method of preparing requests for reimbursement to help ensure that duplicate draws do not occur. All draws will be completed using Claim Registers and dated Certification Memos for payroll. The projects and the date of draw will be documented on the Claim Registers. The documentation for draws is reviewed by the Grant Manager and the Assistant Finance Director or Finance Director. These procedures will be documented in the City of Moore Accounting Manual.</p>	

Observation	Recommendation
8. We observed a discrepancy between the General Ledger and Project Ledger	
<p>We observed a discrepancy in excess of \$40,000 between the City wide General Ledger and the Grant Project Ledger. This discrepancy appears to be due to untimeliness of the General and Project ledger reconciliation.</p>	<p>We recommend that the City develop policies and procedures, and implement practices regarding the timeliness of reconciling the General Ledger to the Project Ledger.</p> <p>As a best practice, this reconciliation should be performed on a quarterly basis at a minimum.</p>
<p>Management Response: The General Ledger will be reconciled to the Project Ledger within twenty (20) days of each quarter end. This procedure will be included in the City of Moore Accounting Manual.</p>	

Observation	Recommendation
<p>9. Supporting documentation for sampled employees could not be tied to the General Ledger</p>	
<p>We observed during our testing that the sampled payroll amounts could not be tied to supporting documentation. For example, we could not tie the sampled General Ledger amounts to the underlying supporting documentation. The reported payroll items were broken down in a complex manner that grant specific items were not identifiable by the City. However, when we reviewed the Project Ledger we were able to identify and support the Project Ledger amounts to supporting documentation.</p>	<p>We recommend that the City develop policies and procedures, and implement practices regarding the timeliness of reconciling the General Ledger to the Project Ledger.</p> <p>As a best practice, this reconciliation should be performed on a quarterly basis at a minimum.</p>
<p>Management Response: The General Ledger amounts reflect total pay for City employees assigned to the grant. These employees perform duties that are compensated from other funds and not reimbursed by the grant, such as the City of Moore General Fund and CDBG Entitlement Grant. The Project Ledger will record only time worked on the DR Grant by these employees. The accountant assigned to the grant performs reconciliations to confirm that the amounts recorded in the project ledger reflect time worked on the grant. A procedure to document total pay for all funds has been added to the reconciliation process. Tools used to complete this task include an excel spreadsheet created so that the calculations performed are automatic; therefore reducing the chance of mathematical error. Also used and included in the permanent file are the payroll register for each employee, time-entry reports, and time narrative reports. The Project Ledger detail report that reflects only time spent on the grant is used to support the dated Certification Memos for payroll. These procedures will be performed within twenty (20) days at the end of each quarter, and will be reviewed by the Assistant Finance Director or the Finance Director.</p>	

Observation	Recommendation
10. Insufficient Environmental Review procedures implemented for the Housing Rehab Program.	
<p>We observed Environmental Review procedures for the Housing Rehab Program are insufficient under 24 CFR Part 58. Checklist and source documentation incorrectly state there is no critical habitats or wetlands in the State of Oklahoma.</p>	<p>We recommend the City take the following action:</p> <ul style="list-style-type: none"> • Correct ERR to demonstrate the critical habitat and endangered species habitat that exists in the region are not impacted by construction with site photos and a map to show site is not within 750 feet of habitat. • Correct source documentation that incorrectly states there are no wetlands in the State of Oklahoma.
<p>Management Response:</p> <ul style="list-style-type: none"> • In ERR, “58.5(d) Endangered Species [50 CFR 402] Compliance Finding: U.S. Fish and Wildlife Service website-No critical habitats in the Moore city limits. Project will have no “adverse effect”. Source Documentation: No Critical Habitats in Oklahoma-Documentation in source binder.” This information is in ERR, however, corrected file by labeling each supporting document section to facilitate review. • In ERR, “58.5(b)(2) Wetland Protection [24 CFR 55, Executive Order 11990]: Compliance Finding: U.S. Fish and Wildlife Service website-Project will have no “adverse effect” on wetlands. Source Documentation: Wetlands map attached.” This information is in ERR, however, corrected file by labeling each supporting document section to facilitate review. 	

II. Enhancements

Observation	Recommendation
1. Complaint procedures do not lead to City-level resolution before federal level.	
Infrastructure contractors are provided complaint procedures for fair housing and labor concerns that lead them directly to federal contacts and resources. This practice limits the City's ability to resolve concerns before incorporating federal agency involvement.	We recommend as a best practice that the City develop and implement complaint resolution procedures that first lead to City staff to provide for better awareness and first-level resolution.
Management Response: The City has a complaint section on the transparency website, cpr.cityofmoore.com . Citizens or Contractors can complete the complaint form on the website that is submitted electronically and sent to the Grants Manager.	

Observation	Recommendation
<p>2. The Down Payment Assistance Subrecipient contract creates risk for unsustainable overhead for non-profit.</p>	
<p>We observed the payment structure for the DPA subrecipient is structured on a unit basis which may not address program administration costs eligible up to 5% and the conditions of which may place undue administrative overhead burdens on the subrecipient.</p>	<p>We recommend the City revise payment terms to consider administrative as well as project delivery costs associated with the administration of the DPA program. We recommend that the City consider additional payment triggers during the DPA implementation process.</p>
<p>Management Response: The DPA program provides a 5% fee based on the amount of the subsidy provided to the applicant. The fee will range from \$700 to \$2,100 based on the premise that the deeper the subsidy the more time/cost is required to process the applicant. The proposed sub-recipient already operates a DPA program for the State of Oklahoma for which the sub-recipient is paid a flat fee of \$700. In addition, the sub-recipient is already funded to provide loan counseling. Moore’s program will be an adjunct program to be utilized only when an applicant chooses to reside in Moore. Thus, the fee of 5% of the total subsidy is adequate to the effort involved.</p>	

Appendix A

In addition to its responses to observations addressed in this report, the City of Moore provided responses to prior reports issued by HORNE from the second quarter and third quarter 2015 review periods. HORNE has included those responses as Appendix A to this report.

Responses to Second Quarter 2015 Observations

Observation	Recommendation
Current projects do not demonstrate compliance with HUD income requirements.	
<p>We observed the majority of the City’s infrastructure and housing projects both in development and underway serve a population in census tracts with a low-to-moderate income (LMI) percentage below 50%.</p>	<p>We recommend the City devise a strategy to bring the cumulative total for dollars spent on LMI beneficiaries to 50% of total grant excluding planning and administrative.</p> <p>The Kings Manor Street Repair project qualifies as LMI area benefit using 2000 census data (in compliance with Notice CPD-15-05) accounts for \$3.1 million of the full \$52.2 million grant toward LMI beneficiaries. Subtracting the 20% cap for admin and planning, the City must allocate another \$17.78 million toward LMI beneficiaries.</p> <p>The City forecasts the Redevelopment Project will build 179 LMI units and 314 market rate units; an equation that represents 36.3% of housing construction costs toward LMI.</p>
<p>Management Response: The City’s overall LMI strategy consists of five distinct strategies:</p> <ol style="list-style-type: none"> 1. Infrastructure in LMA areas. Five LMA projects currently budgeted at \$12,027,628 are at various points in the process. The projects are: Kings Manor Street Repair; Little River Park Sewer Interceptor; North Telephone Road Resurfacing; South Telephone Road Resurfacing and Little River Channel 2. Housing Rehabilitation: Launched in July 2015, the program is expected to assist at least three LMI households with a total of less than \$250,000 3. Public Facilities: Two LMA projects are scheduled for bidding in the first or second quarter of 2016. The two projects are budgeted at \$2 million 4. Royal Rock Redevelopment: Closing on the land is expected to occur in the fourth quarter of 2015. The project will contain 51% LMI units. Current budgets for the project indicate a CDBG-DR investment of \$13 to \$16 million 5. DPA Program: Design has begun on a DPA program to address the large number of tornado created vacant lots east of I-35. Budget is projected to be between \$1.5 and \$2.5 million <p>The current realm of projects in process or proposed is between \$28 and \$32 million, or between 69% and 75% of the total allocation less admin and planning.</p>	

Transaction Function – Allowability of Transactions

Observation	Recommendation
Documentation of justification for final administrative settlement offer for land acquisition should be included in the file.	
<p>We observed that the Redevelopment Project land acquisition deal for the approximately 14 acres of land, formerly known as the Royal Rock Mobile Home Park, was made with the City Council’s approval for a dollar value higher than the value appraised by the City.</p>	<p>Management informed us that the final purchase price was a settlement based on consideration of competing appraisal values from the Seller and the Purchaser, and a dispute over whether or not the land to be purchased was a “developed” piece of property. We recommend the City add a memo to the file with full rationale and justification for the final purchase price.</p>
<p>Management Response: An Administrative Settlement Letter was completed in May 2015 and is on file. The letter is attached</p>	

Observation	Recommendation
Procurement documentation for Phase II limited Environmental is unclear on rationale for award and timing of award.	
<p>We observed procurement documentation for the Phase II limited Environmental vendor followed procedure for small purchase procurement which allows for a verbal description of the project scope and request for proposals. However, documentation does not adequately demonstrate the timeline from the time of request to the time of award. Furthermore, one vendor and sub-contractor team submitted an unattached two-part proposal, each bearing their individual logo, that appeared in the file to be two separate bids each at a price lower than the awarded vendor.</p> <p>We also observed similarities in font, format and content style between the proposal for the Phase I awarded vendor and the proposal of the Phase II awarded vendor. The last paragraph of both proposals lists an identical phone number for a company point of contact that is registered to the vendor awarded the Phase I contract.</p>	<p>Management informed us the two lowest bids we found in the file were in fact supposed to be one lumped proposal, which together accumulated to a total proposed value higher than the proposal of the awarded vendor.</p> <p>We recommend the City add a memo to the file with clear rationale for the award and timing of award.</p>
<p>Management Response: A Memo to the file has been added</p>	

Observation	Recommendation
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Recording timing of payments.	
We observed that a transaction for payment to the engineering firm performing services for the storm water drainage project appeared in the ledger on 6/30/15, but was not actually posted until 7/31/15, and cleared on 8/5/15.	We recommend the City evaluate and implement monthly cut-off procedures.
Management Response: The City is currently evaluating the procedures and implement the new procedures moving forward. We will have the internal auditor review the new procedure before implementing.	

Observation	Recommendation
Poor documentation for small purchase procurement.	
We observed the procurement of web design services vendor followed procedure for small purchase procurement which allows for a verbal description of the project scope and request for proposals. Pricing in returned proposals varied significantly with the awarded vendor's pricing based on hourly rate and other proposals based on deliverable-based units.	We recommend the City add a memo to the file clarifying the scope of services requested. We also recommend the scope of services for all small purchase contracts be documented and included in the file moving forward.
Management Response: A memo has been added to the file. The City is evaluating our small purchase procedure, we will follow recommendations.	

Responses to Third Quarter 2015 Observations

Internal Controls – Operating Effectiveness

Observation	Recommendation
Housing Rehab Program files were found to be incomplete.	
<p>We observed that Housing Rehab applicant files did not consistently contain program forms in compliance with the CDBG-DR-HR 07 Applicant File Checklist, evidence of applicant eligibility status was not clear and communication with applicant was not logged.</p>	<p>We recommend the City review applicant files for completion according to the City’s CDBG-DR-HR-07 Applicant File Checklist as found in the Housing Rehabilitation Program Policies and Procedures. We also recommend the City update the signature line on form CDBG-DR 05 – DOB Worksheet to the current financial officer.</p> <p>As a best practice, we recommend each file include a summary sheet with clear indication of application status and notes to log communication with the applicant on top.</p>
<p>Management Response: City Staff has reviewed the Housing Rehabilitation Policy and Procedure and has updated all applicant files listed: Work Order (CDBG-DR HR 01), National Objective Determination (CDBG-DR-HR 15-A), Applicant File Checklist (CDBG-DR HR 07), Acknowledgement of the Receipt of the Grievance Procedure (CDBG-DR HR 17-B), Interview Summary Report (CDBG-DR HR 08), Income Self Certification Form (CDBG-DR HR 10). The City will update the CDBG-DR 05-DOB with a verification signature line for the current financial officer.</p>	

Observation	Recommendation
Contract files for Benefit Cost Analysis vendors were found to be incomplete.	
<p>We observed that contract files for three vendors on task order to perform Benefit Cost Analysis services were incomplete. Task orders were not supported by the following documentation as required in the contract:</p> <ul style="list-style-type: none"> • the hourly rate calculation; • Clear indication of percent of payment made to minority or women owned business subcontractor (MOB/WOB); and • Section 3 compliance documentation. 	<p>We recommend the City take immediate action to correct procedural steps in payment processing.</p> <p>The City should include a copy of each vendor’s hourly rate as submitted with original procurement proposal and include a memo to the file to explain any and all negotiated project rates.</p> <p>The City will need to collect corrected invoices to verify amount of payment made to MOB/WOB and obtain a copy of</p>

	<p>MOB/WOB business certifications for the file.</p> <p>The City will need to collect and verify supporting paperwork for Section 3 compliance regarding invoices already paid.</p>
<p>Management Response: The City is working with the contractors to provide documentation to the above observations and recommendations.</p>	

Observation	Recommendation
Noncompliance with Davis Bacon monitoring on King’s Manor Street Repair project.	
<p>We observed an instance in notes from City staff on a Davis Bacon on-site monitoring form that indicated an interviewed employee could not be found on the contractor’s payroll.</p>	<p>We recommend the City provide evidence of follow-up action to determine the reason employee was found missing from payroll records and confirm payment was received by obtaining a copy of the check issued to the employee and retain it within the file along with corrected payroll.</p>
<p>Management Response: The person that was not on the payroll was determined to be salaried staff which is reflected in the notes.</p>	

Observation	Recommendation
Insufficient documentation of income eligibility in Housing Rehab Program	
<p>We observed applicant income has been determined based on tax documents from 2012 or 2013 which is not the most current information at the time of eligibility determination.</p>	<p>We recommend the City collect current tax information from applicants. Income eligibility is calculated based on current financial status at the time eligibility for assistance is determined. We also recommend the City include a clear calculation of the applicant’s income in the file.</p>
<p>Management Response: The 2012 tax return was obtained to confirm residency at the time of the tornado and was not used for income eligibility. The two applicants that have met all</p>	

requirements provided the tax documents requested and signed an Income Self Certification Affidavit. Management is currently working with the remaining applicants to correct the deficiency.

Observation	Recommendation
Noncompliance with Section 3 program requirements.	
<p>We observed the following deficiencies in the Section 3 program:</p> <ul style="list-style-type: none"> • Noncompliance with Section 3 training goal • Noncompliance with Section 3 employment goal • No evidence of outreach and recruitment efforts • No documentation of impediments to meeting Section 3 goals • Lack of compliance monitoring 	<p>We recommend the City take immediate action to revise the current Section 3 Plan to meet compliance, revise training material to include vendor-specific goals and procedures, provide documentation of outreach and recruitment efforts to the file, collect narratives on impediments to meeting program goals, and establish a monitoring plan.</p>
<p>Management Response: The Section 3 Plan has been revised to meet requirements. The Weekly New Hire Report has been revised to require the employer to check off all methods used in outreach for each employee hired. Training materials are under development which will be more City specific. A monitoring plan will be developed.</p>	

III. Enhancement Opportunities

Internal controls

Observation	Recommendation
Supporting documentation for determining income eligibility more stringent than regulation calls for.	
<p>We observed that income determination for applicants in the homeowner assistance program is based on annual tax return and extensive mortgage payment records.</p>	<p>We recommend the City establish less stringent supporting documentation requirements for the Down Payment Assistance program and make every effort to qualify applicants. Calculating Household Adjusted Gross Income can be fully completed by utilizing the IRS Form 1040 which tracks both income amounts (IRS Forms 1040 lines 7-21, 1040A lines 7-14, IRS Form 1040EZ lines 1-4) and deduction amounts (IRS Form 1040 lines 23-35, IRS Form 1040A lines 16-19, inapplicable to Form 1040EZ).</p>

Management Response: The DPA program description reviewed is out of date. The program description, application and policies and procedure manual are currently under development. The revised DPA program will use the IRS 1040 methodology and a certification affidavit for income qualification.

Observation	Recommendation
Procurement scoring for technical assistance contractor is unclear.	
We observed that the scoring sheet for technical assistance did not include all respondents.	We recommend the City write a memo to the file to explain the evaluation process.
Management Response: The remaining applicants provided full bids (time and materials was what was required), or made other errors in their submissions which resulted in elimination. Management has written a letter to the file explaining the evaluation process.	

Program Design

Observation	Recommendation
Contractor turn over creates possibility for duplication of services.	
We observed that the City fired the first contractor as the Master Planning Contract due to poor performance and hired a new contractor.	We recommend the City collect a statement from the new contractor formally accepting the project work performed by the previous contractor to avoid any unnecessary duplication.
Management Response: A memo and a letter from the new contractor has been added to the file reflecting the recommendations.	

Appendix B

The attachments that the City included in its response to the observations made in this report are herein included as Appendix B.

LMI Target Rationale

	Item	Allocation				
	First Allocation	\$26,300,000				
	Second Allocation	\$25,900,000				
	Total Allocation	\$52,200,000				
	Administration and Planning	\$10,440,000				
	Sub-Total	\$41,760,000				
	51% of Applicable Allocations	\$21,297,600	\$21,297,600	\$21,297,600		
Project Number	Targets	LMI/LMA Target Amount	Budgeted	Expended	Status	Expected Completion Date
	Infrastructure in Low Moderate Income Areas	\$12,027,628	\$12,016,758	\$2,166,587	IN PROGRESS	
I-01-W-LMA	Kings Manor Street Repair	\$2,490,300	\$2,490,300	\$2,052,380	IN PROGRESS	5/22/2016
	---Project Delivery Cost	\$11,000	\$11,000	\$10,118	IN PROGRESS	
I-03-W-LMA	Little River Park Sewer Interceptor	\$2,004,130	\$2,004,130	\$0	IN ER REVIEW	12/31/2018
	---Project Delivery	\$110,000	\$99,130	\$32,047	IN ER REVIEW	
I-05-W-LMA	South Telephone Road Resurfacing	\$1,005,000	\$1,005,000	\$0	IN PROGRESS	3rd quarter 2016
	---Project Delivery	\$10,000	\$10,000	\$8,865	IN PROGRESS	
1-08-W-LMA	North Telephone Road Resurfacing	\$1,070,498	\$1,070,498		IN PROGRESS	3rd quarter 2016
	---Project Delivery	\$7,500	\$7,500	\$110	IN PROGRESS	
1-15-W-LMA	Little River Channel	\$5,154,200	\$5,154,200		IN ER REVIEW	12/31/2018
	---Project Delivery	\$165,000	\$165,000	\$63,067	IN ER REVIEW	

	PUBLIC FACILITIES IN LOW MODERATE INCOME AREAS	\$2,006,894	\$2,006,894	\$4,938	IN PROGRESS	
PF-01-W-LMA	North Little River Park	\$725,000	\$725,000	\$0	OUT TO BID	
	---Project Delivery	\$1,894	\$1,894	\$1,894		
PF-02-W-LMA	South Little River Park	\$1,275,000	\$1,275,000	\$0	OUT TO BID	
	---Project Delivery	\$5,000	\$5,000	\$3,043		
	Housing Rehabilitation Program	\$250,000	\$250,000	\$0	IN PROGRESS	9/30/2016
	Total Project Delivery	\$10,800	\$10,800	\$2,839		
	Total Construction	\$16,000	\$16,000	\$0		
H-02-W-LMI		\$16,000	\$16,000	\$0	CONTRACTING	
	---Project Delivery	\$3,600	\$3,600	\$2,491		
H-03-E-LMI					WORK WRITE-UP	
	---Project Delivery	\$3,600	\$3,600	\$184		
H-04-W-LMI					WORK WRITE-UP	
	---Project Delivery	\$3,600	\$3,600	\$164		
H-01-W-LMA	Royal Rock Redevelopment	\$13,167,652	\$13,167,652	\$3,297,945	IN PROGRESS	12/31/2018
	Land Acquisition	\$3,246,031	\$3,246,031	\$3,246,031	COMPLETE	
	Appraisal report, review appraisal, title work, legal descriptions, deed, claim, and settlement agreement	\$6,400	\$6,400	\$6,400	COMPLETE	
	Master Redevelopment Plan	\$260,000	\$260,000	\$24,005	IN PROGRESS	
	Environmental (Phase 1 & 2)	\$21,509	\$21,509	\$21,509	COMPLETE	
	Asbestos Removal	\$45,712	\$45,712	\$0	CONSTRUCTION	
	Demolition	\$88,000	\$88,000	\$0	CONSTRUCTION	
	Construction	\$9,500,000	\$9,500,000	\$0	PENDING	
	Down Payment Assistance	\$1,400,000	\$1,400,000	\$0	Substantial Amendment	12/31/2018
	---Project Delivery	\$100,000	\$100,000	\$0		
	TOTALS	\$28,852,174	\$28,841,304	\$5,469,470		
	Percentage LMI/LMA	69.1%	69.1%	13.1%		

Justification for Administrative Settlement

Administrative Settlement: Royal Park Site Acquisition

Project: Royal Park Site Acquisition

Location: South Janeway Avenue at SW 17th Street, Moore, Oklahoma

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, this written justification has been prepared to support the City of Moore, Oklahoma's agreement to purchase the above referenced property

Background

The Royal Park property, located north of S.W. 19th Street and west of South Telephone Road in Moore, Oklahoma was directly impacted by the May 30th, 2013 F5 tornado ("the event")

*"Tornado damage in multifamily housing developments was concentrated in Census Tracts 2022.06 and 2021.05. In total, two multifamily developments comprising 357 units sustained major damage. In addition, 53 "for rent" mobile homes were either damaged or destroyed and 90 duplexes were damaged or destroyed. Subsequent to the storm, all 90 duplexes were demolished and the mobile home operator shut down the 179 unit mobile home park."*¹

At the time of the event, the 269 units in the two developments, along with 571 units of HUD subsidized and LIHTC units comprised all of the affordable multifamily units for low income households in Moore. Thus, the events' impact was to destroy, or cause to be destroyed, 32% of the available affordable multifamily housing in Moore².

The owner of Royal Park, the mobile home park, closed the park and demolished all 179 units of housing. The owner of the duplexes sold the property to a development group which subsequently demolished the duplexes and is currently constructing market rate duplexes and fourplexes on the site.

¹ Moore Disaster Recovery Plan, page 31; March 20, 2014

² Moore Disaster Recovery Plan, page 32; March 20, 2014

Royal Park and the duplexes were both predominately Low Moderate Income (LMI) at the time of the event.

Proposed Use

The City of Moore proposes the redevelopment of the 14.44 acre site known as the Royal Park property as a mixed use (retail/office/housing), mixed income village. The actual design will be determined by a master planning process and is expected to utilize a form based code.

The site has a number of unique qualities:

1. The site took a direct hit from the F5 tornado;
2. The site is located at the edge of an area of rapid retail growth along 19th Street;
3. The site is in a Low Moderate Income Area;
4. The site will be connected to a greenway and park system at Tom Strouhal Little River Park providing residents with access to recreational facilities;
5. The site is within walking distance to Plaza Towers Elementary school (.08 miles)

Cost Reasonableness

The City has completed the following steps in determining the just compensation for the Royal Park property:

In March 2014 the owner submitted an appraisal by Hinkel and Associates³ which valued the property at \$5,615,000 on the assumption the highest and best use would be commercial. The property was zoned R-4 high density residential at the time of the appraisal.

In November 2014 an appraisal was completed for the City by Stacey and Associates⁴ which provided the value of the land as \$1,450,000. The appraised value disregarded the cost of removing utility service lines and buildings serving the former mobile home park, and did not account for proposed road improvements. During the environmental process a determination was made that a single building contained asbestos and would incur approximately \$70,000 in mitigation costs to remove.

³ Appraisal Report of Two Parcels of Land North of SW 19th and West of Telephone Road; March 28th, 2014; Hinkel & Associates, 7814 NW 94th St., Suite A, Oklahoma City, Oklahoma 73162

⁴ REDEVELOPMENT TRACT CONSISTING OF FIVE CO-LOCATED AND CONTIGUOUS PARCELS FORMERLY PLATTED AS PARTS OF THE ROYALPARK-MOORE #1 AND #2 ADDITIONS; Stacey and Associates, 512 Northcreek Drive • Edmond, Oklahoma 73034 • 405.314.9871; November 14th, 2014

In December 2014, Isaacs & Associates reviewed the Stacey and Associates appraisal and determined the Stacey and Associates appraisal should be rejected based on two deficiencies in the original assumptions:

1. The owner assumed a zoning change to commercial; and
2. The owner assumed street additions and improvements which would make the property more attractive as a commercial property⁵

In February 2015 Isaacs & Associates provided a revised appraisal correcting the deficiencies and determined the value of the property as \$2,485,000⁶ for the use proposed by the City

On March 20th, 2015, the City submitted an offer to the owner of \$2,485,000. The offer was rejected.

On March 30th, 2015 the Moore City Council increased the offer twenty-five percent (25%) on the property to \$3,106,250.

During April the City prepared the initial Administrative Settlement as required by Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

On May 6th, 2015, the City submitted an offer to the owner of \$3,106,250. The owner countered with a request the buyer pay the seller's brokerage fees of \$139,781, raising the total purchase amount to \$3,246,031.

On June 1st, 2015 City Council approved a counter offer of \$3,246,031

⁵ Isaacs & Associates Review Appraisal; December 2014: Isaacs & Associates - 2919 NW 122nd Street, Suite E - Oklahoma City, OK 73120 Off: (405) 235-3200; Page 8 Comments

<https://www.dropbox.com/sh/g4fx3wkwf1qq3xz4/AACFTMjOnN3WH7D-QKbgXe8Aa?d>

⁶ Isaacs & Associates Appraisal; February 2015: Isaacs & Associates - 2919 NW 122nd Street, Suite E - Oklahoma City, OK 73120 Off: (405) 235-3200; <https://www.dropbox.com/sh/g4fx3wkwf1qq3xz4/AACFTMjOnN3WH7D-QKbgXe8Aa?d>

The City recognizes an increased offer on the property must meet the OMB A-87 standards for Cost reasonableness for this type of purchase.

Justification:

Under the requirements of the OMB A-87 standards the City is required to address the following:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award,

(b) The restraints or requirements imposed by such factors as: sound business practices; arm's length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award,

(c) Market prices for comparable goods or services,

(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government,

(e) Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

The City's analysis and justification for the increase in just compensation contains four elements:

1. Market price differential between current zoning and proposed zoning

Both the City and the current owner propose changes to the zoning of the property. The owner proposes a commercial use, while the City proposes a mixed use of retail, low income housing and market rate housing utilizing a form based code. The City's objective is to replace at least 179 units of housing affordable to families at or below 80% of AMI. The owner's objective is to sell the property at the highest market price by having the property rezoned to a commercial use.

A market rate multifamily housing development known as Thirty-Five West has been constructed on vacant land adjacent to the Royal Park site since the event. Thirty-Five West consists of 314 market rate units in several one bedroom and two bedroom configurations. The market rate units at Thirty-five West range in rent from \$838 for a one bedroom, one bath to \$1,400 for a two bedroom, two bath⁷, compared to the 2015 Fair Market Rents of \$584 for a one bedroom unit and \$748 for a two bedroom

⁷ Apartment Guide: Accessed 4/19/2015: <http://www.apartmentguide.com/apartments/Oklahoma/Moore/Thirty-Five-West-Apartments/100023369/>

unit⁸. The Thirty-five West units represent the closest comparative multifamily property to the Royal Park site. Royal Park is currently zoned R-4, high density residential.

The City recognizes that the highest and best use under current zoning coupled with the demand and income stream for market rate housing is well in excess of the value of the property as a mixed use, mixed income property. The proposed 179 affordable units would generate \$1,553,863 of income annually in a configuration of 85% two bedroom and 15% one bedroom, while 179 market rate units would generate \$2,826,123 for the same configuration. Since income drives the ability to pay debt, the differential of \$1,272,260 annually represents a significant barrier for the City to overcome to generate replacement affordable rental units.

As noted in the review appraisal⁹, the differential between the market cost per square foot of commercial property (\$7.50 a square foot) and multifamily residential property (\$3.95 a square foot) is also significant. The market value of the 14.44 acres at the residential rate is \$2,484,575, while the market value at the commercial rate is \$4,717,548. The differential of \$2,232,973 represents a significant barrier to the City's plans to redevelop the site.

2. Need for affordable housing for households at or below 80% of AMI

The loss of affordable units due to the event represents a loss of 32% of the known affordable multifamily housing within the City. The loss hurts the City's economic base by increasing the difficulty of the City's retail and other employment sectors to recruit and retain employees. In addition, the lack of availability of affordable housing decreases the overall depth and diversity of the City's workforce. Many employees in the retail, construction and service sectors must currently commute from surrounding communities (predominately southeastern Oklahoma City). The City envisions the Royal Park project as a methodology to insure long term workforce housing to support the service, retail and construction industries in the City.

3. Availability of comparable properties with similar characteristics, amenities, zoning or ability to achieve zoning;

⁸ 2015 Fair Market Rents, Oklahoma City MSA; Accessed 4/16/2015
http://www.huduser.org/portal/datasets/fmr/fmr_il_history/data_summary.odn

⁹ Isaacs & Associates Review Appraisal; December 2014: Isaacs & Associates - 2919 NW 122nd Street, Suite E - Oklahoma City, OK 73120 Off: (405) 235-3200; Page 8 Comments
<https://www.dropbox.com/sh/g4fx3wkwf1qq3xz4/AACFTMjOnN3WH7D-QKbgXe8Aa?d>

The City researched potential comparable sites which have similar characteristics, zoning, access to employment and recreational opportunities and other amenities available at the Royal Park site. One potential alternate site is located on SE 4th Street, bounded by S Turner Avenue on the west, Toby Keith Avenue on the east and Armstrong Street on the north. The site is tentatively identified as 323 SE 4th Street. The site is approximately 15 acres and is zoned Urban Residential Low Density. The site also adjoins Moore “Old Town” to the west with a more restrictive zoning of Neighborhood Preservation. The following is a summary of comparative data

TABLE 1: COMPARISON OF PROPERTIES			
Item	Royal Park	323 SE 4th Street	Notes
Disaster Impacted Area	Yes – Destroyed	Yes – Major Damage	
Price	\$3,106,250	\$1, 500,000	
Zoning	High Density Residential	Low Density Residential	
Zoning Change Required	No	Yes	
Schools	Plaza Elementary (0.8 miles)	Moore High School – Highland East Junior High – Platt College	Within a Half-Mile Radius
Medical Facilities	Access Medical Center (1.1 miles) - Moore Medical Center (0.6 miles)	Access Medical Center (2.9 miles) - Moore Medical Center (1.2 miles)	
Public Transportation	None	None	
Public Libraries	Moore Public Library (1.4 miles)	Moore Public Library	Within a Half-Mile Radius
Community Centers	(None)	Moore Community Center – Moore Senior Citizens Center	Within a Half-Mile Radius
Parks	Little River Park- Connected via greenway along Janeway	Central Moore Park – Access is obstructed by grade crossing of the BNSF RR	Within a Half-Mile Radius
Grocery Stores	Aldi – Dollar Tree - Super Target – Walmart Supercenter	Walmart Neighborhood Market - Dollar General	Within a Half-Mile Radius
Pharmacies	Super Target – Walmart Supercenter	CVS	Within a Half-Mile Radius
Food Service	All American Pizza – Carl’s Jr - Chic-Fil-A - Chili’s –Five Guy’s – Jack in the Box – Panda Express - Starbucks- 12 mom and pops	3 mom & pops	Within a Half-Mile Radius
Retail	Super Target – Home Depot – Dick’s Sporting Goods – Walmart	Dollar General - Walmart Neighborhood Market	Within a Half-Mile Radius

	Supercenter		
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As Table 1 indicates, the Royal Park site has significantly more employment opportunities and is well served by retail, food service, medical and recreational facilities. In contrast the 323 SE 4th Street site has limited retail and food service facilities and has a significant barrier in the grade level crossing which separates the site from medical and recreational facilities

However, the key difficulty in utilizing the SE 4th Street site is the zoning.

The Thirty-Five West Apartments were rezoned from General Commercial and Manufactured Home District to Multi-Family Residential District as a Planned Unit Development on January 6, 2014. The Plaza Terrace Multi-family Project was rezoned from Two-Family dwelling district to General Residential Dwelling District as a Planned Unit Development on March 3, 2014. Both development applications sought to add new quality housing with appropriate amenities to an area that was traditionally lower-income with substandard housing. During the rezoning process, no significant protest from the property owners within ¼ mile (required notification area by Oklahoma State Law) was raised for either of these applications. In staff review of both applications, it was noted that this area has historically developed as higher density than other locations in Moore and with the significant public and private reinvestment into the area after the event after past disinvestment in quality housing. These arguments, in addition to the lack of citizen protest and included amenities within the Planned Unit Development, garnered Planning Commission and City Council support for the projects.

Conversely, the area located generally at SE 4th Street (SH37) and Toby Keith Avenue is a ‘virgin’ parcel of undeveloped property located in close proximity to Moore’s traditional downtown area, Old Town. Although the site enjoys access to major thoroughfares and public utilities and was shown in the City’s Comprehensive Plan as General Commercial land use, past rezoning attempts have failed, due in large part to citizen protest. On August, 2003, a rezoning application was filed by ERC, a national multi-family residential development company, to rezone approximately 15 acres from Rural Agricultural District to Multi-family Residential as a Planned Unit Development for a 200-unit apartment complex. Ultimately this rezoning application was withdrawn from consideration at the Planning Commission level because of the significant citizen outcry that resulted from the property owner notification process. The opposition to the project centered around the citizen’s perceptions of a multi-family housing project being too dense for the area.

Another multi-family housing project that was withdrawn due to citizen protests occurred just south of the ERC site, being located approximately ¼ mile south of SE 4th Street (SH37) and Eastern Avenue. This

application sought to rezone approximately 9 acres from Office District to Multi-Family Residential District as a Planned Unit Development. In review of this application, staff noted that the site had good access to a major thoroughfare and access to public utilities. Although the majority of the surrounding area was low-density residential in nature, it was surrounded on the north and south by commercial developments. This application was denied by the City Council on February 18, 2014 due to significant citizen protest focusing on the incompatibility of the higher-density application to the surrounding lower-density residential neighborhoods.

These past multi-family rezoning applications underline the point that location *does* matter when considering multi-family projects in a suburban community dominated by low-density residential land use. The ideal location should be within neighborhoods that have already experienced higher density multi-family housing projects and in areas that are highly commercialized (also supported by the City’s Comprehensive Plan, Moore Vision 20/20).

4. Program requirements, public benefit, and terms and conditions of the Federal award:

The CDBG-DR grant under which this project is proposed requires all activities be complete prior to September 2019. Assuming a start date of May 1, 2015, the typical timeframe for specific activities includes:

TABLE 2: SCHEDULE OF EVENTS			
Activity	Months Required	Royal Park	SE 4th Street
Environmental Review	3	Complete	July 1, 2015
Master Plan Procurement: (Not applicable to 4 th street)	1	In Progress	-----
Master Plan Start (Not applicable to 4 th street)	12	May 1 2016	-----
Zoning Change: (Not applicable to Royal Park)	4	----	November 1, 2015
Master Plan Complete	-----	April 1, 2016	----
RFP for Developer	3	July 1, 2016	February 1, 2016
Construction Complete	24	August 1, 2018	March 1, 2018
Lease-up	6	February 1, 2019	September 1, 2018
GRANT EXPIRATION DATE	----	September 1, 2019	September 1, 2019
TOTAL TIME ELAPSED		3 Years 10 months	3 Years 4 months

As Table 2 indicates, the amount of time needed to restart the entire process does not preclude a restart on SE 4th Street given the Grant expiration date. The two projects require different approaches which gives a six month edge to redevelopment of the SE 4th Street site. As noted previously, the City is most concerned by a potential failure to obtain the required zoning at the 4th Street site.

Payment of Seller's Broker Fees:

The City and the seller are entering into a voluntary transaction under 49 CFR 24.101(b)(1), which permits the seller and buyer to determine who pays the broker's commission.

Oklahoma State Real Estate law is silent on the payment of broker's fees.

The broker's fee represents 4.5% of the proposed acquisition cost. The City consulted with other commercial real estate professionals who serve this area and determined that the 4.5% broker's fee is reasonable and customary for this type of commercial transaction.

The Community Development Block Grant program has the following objectives:

The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses¹⁰

The proposed redevelopment of the Royal Park site meets each of the objectives of the CDBG program. The project would replace substandard mobile homes damaged or destroyed by the event with modern, energy efficient, resilient housing targeted at low income households. The new housing would complement the current density in the community, while the alternative site would place the new units in a primarily low density residential community. The project would assist the most vulnerable populations in Moore by providing decent, safe, affordable housing with access to schools, recreational facilities, medical services and shopping within a half to one mile radius of the site.

The project would create workforce housing in close proximity to a newly constructed commercial area. The project encourages workforce stabilization which both promotes job creation and encourages job retention within the City.

¹⁰ HUD: Community Development Block Grant Program;
http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs

For these reasons, the City believes the proposed project is a prudent investment of CDBG Disaster Recovery funds with long term benefits to the community and its vulnerable populations.