

**From:** Bill Cahill  
**Sent:** Tuesday, March 20, 2012 10:21 AM  
**To:** City Council  
**Cc:** Rod Wensing; Greg George; Alison Hade  
**Subject:** Letters from HUD concerning Mirasol I

City Council members have been previously informed that there is an issue concerning the rents at Mirasol I, a senior affordable housing project developed by the Housing Authority. We've assisted Mirasol I with federal HUD CDBG funds and local funds.

The City requested a ruling from HUD concerning the use of CDBG funds. HUD met with the City and the Housing Authority several weeks ago, and have now completed their review of the situation. Attached you will find two letters from HUD with findings and requirements for corrective action. One is addressed to the City concerning CDBG dollars; the other is a copy of a letter that HUD has sent to Colorado DOLA, which granted federal HUD "HOME" funds to the Housing Authority for Mirasol.

HUD concludes in both letters conclude that rents charged at Mirasol violated affordability regulations. The required corrective action is to refund to tenants the overcharged amounts, and to correct the practices going forward. To give you a sense of how much the refunds might be: if the amount of the overcharge is the \$113 monthly activity center fee, for 4 years occupancy of 49 units, the amount to refund is over \$265,000. We do not know the actual amount yet and it could be less. Because HUD's granting relationship is with the City, the City is responsible for the refunds, to be made from non-federal money.

The City has a contract with the Housing Authority, and would expect to pass the responsibility for the corrective actions on to the Housing Authority.

I have sent this material on to Sam Betters at the Housing Authority this morning.

There is an appeals process and we expect to appeal. For that reason, the letters are not a final determination. There could be substantial changes in the outcome. However, we want the Council to know of this and understand the possible ramifications.

Thank you.

*Bill*

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