

From: Michael Daun
To: Bauman, Robert
Date: 10/29/2004 5:00:49 PM
Subject: RE: West Side Housing Coop

Ald. Bauman,

At Wally's request, I'm responding to your email of Oct 27th to him requesting our follow-up on this topic as well as your earlier August 5th letter. I apologize for the lateness of our response as we were awaiting the response of the CDBGA director.

On August 12th, we wrote a letter to the Director of the CDBG Agency, requesting information evidencing what the CDBGA had done over the prior 12 months to address the above issues for this WHC project. We followed up with an extensive interview with the Director and his staff on August 17th. On August 23rd, we received documentation from the Director related to this project.

The interview disclosed that \$500,000 in CDBG-HOME funds were awarded to WHC in late 2002 for the purpose of rehabilitating the above properties, with the South Community Organization (SCO) apparently specified by the Council Committee to perform the actual rehab work. The CDBG Agency supported this proposal. According to the CDBGA staff, months were required for WHC to develop the appropriate scopes-of-work for the subject properties before actual work on the properties began in early-to-mid 2003.

The documentation to us from the CDBGA Director on August 23rd contained various communications between the CDBG Agency and the South Community Organization and its Director, Mr. Michael Brever. This documentation also included CDBG Agency communications with the Department of Neighborhood Services (DNS) dealing with DNS inspections of the properties for building code compliance.

This CDBG Agency-provided documentation covered the period from October 31st, 2003 through January 26, 2004. **It clearly documents the existence of major interior code violations discovered on the subject properties once the CDBG Agency monitor was able to gain entrance to the properties.**

The documentation demonstrates the successful efforts made by the CDBG Agency during October 2003 through January 2004 to initially inspect the properties and to arrange for the DNS to identify all code violations. We were also interested in what the CDBG Agency did after January 26th to disclose or otherwise address this serious non-performance issue of SCO. However, in spite of numerous reminders by the CDBG Agency of the City and Federal standards for rehab work and its related demands for action, **it appears that the contractor (SCO) was unable or unwilling to bring the properties into code compliance. The last enclosed communication from the CDBGA, dated January 26, 2004, requests of Mr. Brever of SCO to "...please provide us with a status report on getting the Westside issues corrected. Are any scopes/costs completed or in progress?"**

Today, October 29th, we received a letter from Mr. Mahan responding to our letter of August 12th regarding the oversight activities of the CDBGA on this project. According to his response, DNS completed interior inspections and issued orders to Westside for code violations in Feb-Mar, 2004. Mr. Mahan indicated that his agency focused on DNS inspections and SCO (subcontractor) performance at this point.

Mr. Mahan did not indicate the existence of any CDBGA formal or other written disclosure to the CED Committee or Common Council in 2004 over the continued non-performance by SCO as the problems with the subject properties continued without correction. He did indicate that "the HUD Inspector General had been contacted" but doesn't indicate who made the contact.

Regarding whether eligible owners or renters were residing in the properties, Mr. Mahan indicates that "information provided by SCO, on behalf of Westside Housing Coop, indicated that units were either sold or occupied by low-to-moderate income coop members, per HOME requirements." However, he adds that "Backup (support) information was not required at the time." In effect the CDBGA leaves the question of eligible owners-tenants unanswered.

#12

Mr. Mahan does not indicate the current repair status of the subject properties. He does say that the "CDBG does believe that the remaining work can be completed utilizing the balance of the grant funds from the original Westside award (amount unknown), with the one possible exception being the property at 1443 N. 24th St. The purpose of the additional \$100,000 was to address the property at 1443 N. 24th Street. " Since the Common Council has assigned this additional \$100,000 to the DCD for this purpose, one issue is how to transfer the remaining unspent funds from the original Westside grant to the DCD to complete all remaining work.

Our read on this situation:

After well over 1 1/2 years, the SCO has not successfully completed its work. Given the people currently residing in these 17 units and the fact that the use of HOME funds apparently requires full compliance with local building codes, the successful completion of this project is absolutely essential. With the CED Committee meeting Nov 1, **we would strongly suggest that the Common Council withhold final action on any applications for CDBG or HOME funding to the SCO or affiliates), pending satisfactory resolution of the Westside housing issues, including possible restitution by SCO to the City. We would also suggest that the City Attorney explore possible legal action against SCO as necessary to reclaim that portion of funds given to SCO for work not completed.** These funds could also be transferred to DCD to help complete the needed work on the subject Westside properties.

Mike Daun

CC: Curley, Patrick; Davis Sr., Joe; Mahan, Steve; Morics, Wally