



## **Detroit, other Michigan cities must rush to spend \$224M in housing aid or give it back**

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WASHINGTON -- Detroit, Highland Park, Pontiac and other Michigan cities face losing millions of dollars in federal aid to reclaim and rebuild neighborhoods riddled with abandoned and foreclosed properties unless they can spend it all in the next nine months.

The cities already have had two years to put the money to use.

Now, a February deadline looms for the State of Michigan's Neighborhood Stabilization Program (NSP) to spend a \$224-million grant from the federal government or return it.

But many of the cities that are part of the program -- Detroit in particular -- have been extraordinarily slow to spend what was the single largest grant awarded under the federal program in 2010.

As a result, Michigan was just one of two recipients nationwide to miss a February deadline to spend half of the funding. Three months later, the program still hasn't hit the halfway mark.

"Clearly, you can only jam so much through the pipeline," said U.S. Rep. Bill Huizenga, R-Zeeland, who serves on the House committee with authority over the federal program. He said the funding has overwhelmed the capacity of recipients to overcome bureaucratic and legal hurdles, and likened it to "trying to drink out of a fire hose."

Nowhere is the problem more acute than in Detroit, which as of mid-May had spent only \$6 million -- 14% -- of the \$43 million it and the Michigan Land [Bank](#) received on its behalf from the 2010 grant.

As a result, the U.S. Department of Housing and Urban Development is insisting on monthly status meetings with the state, threatening to move funding from stalled projects to others to ensure all the money is spent.

HUD officials sent a letter in April to the Michigan State Housing Development Authority (MSHDA) that said regulatory obstacles and other problems must be cleared away quickly, or the state could face "a recapture of funds" that are unspent.

It comes at a time when Detroit is struggling with its finances. Two months ago, the Free Press reported that the city was behind in spending millions of dollars in block grants from HUD and could lose them despite having thousands of abandoned structures and faltering neighborhoods.

"That's the fear, there's such a need," said Kurt Metzger, director of Data Driven Detroit, an organization that compiles data on the city. "There's the fear from past experience (that) money would be left on the table, and we just can't do that anymore."

### **Demolition first**

Detroit was awarded the lion's share of the state's funding.

Under its original plan, the city should be well along with redeveloping and rebuilding properties in small, targeted areas in East English Village, around Herman Gardens on the far west side and in a few scattered other sites.

But early this year, the city asked HUD for permission to move more of the money -- \$10 million -- into demolition across greater swaths of the city as part of its plans to tear down 10,000 structures by the end of next year. It has done about 4,400 to date.

By increasing its demolition budget under the grant to \$15 million, the city expects to pull down about 1,200 more structures than originally proposed, bringing the total from this grant award to 1,800.

Even with the additional cash for demolishing structures, however, the city expects to be \$25 million-\$30 million short of what is needed for its overall goal of bringing down 10,000 structures.

The city asked for the change after officials concluded that redeveloping properties or building new ones in some areas made no sense because the market to sell them wasn't there -- and as part of Mayor Dave Bing's Detroit Works Project.

The change slashed spending on renovation and reconstruction of single-family homes from \$16 million to zero and added \$8 million toward the development of Gardenvue Estates, 830 affordable-housing units at the Herman Gardens site, city officials said.

It also added scores of blocks to allow for more demolitions -- especially around Denby and Osborn high schools on the east side, and Cody on the west.

"I'm confident we will not send a dollar back to HUD," said Karla Henderson, Bing's group executive of planning and facilities.

Louis Blackburn, 66, is a retired line worker and supervisor at Chrysler's Jefferson North who has watched his block of Mayfield near Denby fall to pieces.

Houses on either side of him, as well as across the street, are burned out or abandoned. People come and go from a few of them and he hears gunshots at night. He has been looking to sell for most of a decade, but he cannot find a buyer.

The city has some of those abandoned houses on its demolition list now that the targeted area has been extended. Blackburn said he hopes they get torn down -- maybe he can sell his property then.

"It was beautiful, everything was well-kept," when he bought the place in the 1970s, he said. "It looks like a war zone now."

### **A question of focus**

Some neighborhood activists wonder whether the city wouldn't be better off concentrating its efforts in a few key areas.

Rodney Gasaway, community development director for Joy-Southfield Community Development, said, "When you have 400 of them (abandoned houses in a neighborhood) and they tear down five or 10, it doesn't have any impact."

Scott Alan Davis, executive director at Vanguard Community Development, the nonprofit arm of Second Ebenezer Church, said HUD's deadlines should have included more time for careful planning -- and that they've been "a nightmare" for the city.

Instead of taking time to decide the best way of spending the funds, he said, the city now is "operating in panic mode."

"In order to not lose the money, we have to do the quickest thing we can do to get the money out, and that's not always a strategic process," he said. "This is not a slam at the city. I think they're doing the best they can do with what's swirling around but, as a result of this, we're not seeing results."

As for Bing's plan to raze 10,000 structures, Davis said he has been told there may be 400,000 vacant properties in the whole of Detroit.

"Ten thousand," he said, "that's a drop in the bucket."

Karla Henderson, group executive for planning and facilities for Detroit Mayor Dave Bing, says there the 2010 Census found the total number of properties in the city to be slightly less than 400,000, however, and she estimated the number of vacancies to be about 75,000 --with the number of demolitions needed to be even smaller than that.

### **Some get results**

As of last month, about \$108 million -- 48% of the \$224 million for the statewide program -- had been spent, and some cities and the [landbanks](#) they're working with to acquire and dispose of properties have shown results.

Battle Creek has spent 73% of its \$8-million award; Lansing has spent 75% of its \$18 million.

Anticipated projects such as Lafayette Lofts in Pontiac and Bliss Park Senior Apartments in Saginaw are under way.

In Wyandotte, \$5.5 million of its \$8-million award has been spent; 13 of 44 planned new constructions and rehabilitated properties are on the market, and most of the work on the rest is complete.

"I can tell you we are seeing progress," said MSHDA senior policy specialist Michele Wildman, who oversees the NSP.

The delays weren't just in Detroit.

In Highland Park, spending was slowed dramatically after it asked for permission to expand the target area of its program, cutting back on redevelopments and adding significantly to its demolition rolls. As of May it had spent about half of its \$14-million award -- after lagging for months -- but Economic and Community Development Director Sandy McDonald said the city expects to have everything done by Oct. 31.

Part of the problem, said Rick Ballard, the former director of community development for MSHDA, was that the cities and the state had only about six weeks to bring their plans together for the 2010 round of NSP funding.

But Mark Calabria, director of [financial](#) regulation studies at the libertarian Cato Institute in Washington, D.C., said the program was never intended to primarily focus on tearing down properties in depressed urban areas such as Detroit, Cleveland and Buffalo.

Calabria, a former Republican staffer for the Senate Banking, Housing and Urban Affairs Committee when it helped create the NSP, said it was largely intended to help cities facing recent declines in the housing market but not long-term ones.

"Detroit's problem is not that they had a housing boom and bust," he said. "It's that people are leaving."

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