

Office of the Auditor General
Preliminary Survey Summary

**Community Development, Revitalization, and
Blight Elimination Programs**

Michigan State Housing Development Authority
Department of Labor and Economic Opportunity

December 2019

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

December 19, 2019

Mr. Gary Heidel, Acting Executive Director
Michigan State Housing Development Authority
Department of Labor and Economic Opportunity
735 East Michigan Avenue
Lansing, Michigan
and
Mr. Jeff Donofrio, Director
Department of Labor and Economic Opportunity
300 North Washington Square
Lansing, Michigan

Dear Mr. Heidel and Mr. Donofrio:

This is our preliminary survey summary of the Community Development, Revitalization, and Blight Elimination Programs, Michigan State Housing Development Authority (MSHDA), Department of Labor and Economic Opportunity. Because we did not identify significant concerns that would warrant the additional use of our audit resources, we have decided to terminate the planned performance audit.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

PRELIMINARY SURVEY SUMMARY

COMMUNITY DEVELOPMENT, REVITALIZATION, AND BLIGHT ELIMINATION PROGRAMS

RESULTS

Our preliminary survey did not identify significant concerns that would warrant the additional use of our audit resources to complete a performance audit. Therefore, we have terminated this project and did not conduct sufficient testing to conclude on the Michigan State Housing Development Authority's (MSHDA's) community development, revitalization, and blight elimination programs' overall effectiveness and efficiency.

FACTORS IMPACTING AUDIT TERMINATION

MSHDA:

- Maintained appropriate documentation including grant applications, scoring sheets, and team discussion notes to support decisions to award or deny 31 grants that we reviewed for the Neighborhood Enhancement, MSHDA Mod, MSHDA Blight Elimination, and the Housing Development Fund Special Grants Programs.
- Approved financial status reports and payment requests for the 21 grants that we reviewed, ensuring that reimbursements were for allowable costs and amounts were properly supported.
- Generally collected all required collateral documents, photographs, attestations, and invoices for the 10 blight demolition properties within selected communities that we reviewed.
- Ensured the completion of 22 blighted property inspections by a third-party contractor and obtained inspection reports with photographs to support the public partners' maintenance of properties in accordance with the Hardest Hit Fund Blight Elimination Program requirements. MSHDA also requested the required percentage of monthly inspections of recently demolished properties and properties in the 5-year compliance period be completed by the third-party contractor.

ADDITIONAL FACTORS

We identified the following areas that we plan to include in our preliminary survey of MSHDA's Family Housing and Homeownership Programs (186-0205-20) that began in November 2019:

- Selected user access controls for the MSHDA Activity Tracking Tool (MATT 2.0), Elite, MSHDA Application

Server (MAPPS), and MSHDA's Multifamily Property Inspection (MPI) Systems.

- The awarding of Low Income Housing Tax Credits (LIHTCs).
- The monitoring of properties awarded an LIHTC for compliance with requirements.

BACKGROUND

Description: MSHDA's mission is to partner to provide homes and preserve places for the people of Michigan. MSHDA administered programs that provided grants and tax credits to communities and public partner agencies for development, revitalization, and blight elimination.

To meet the U.S. Department of Treasury's eligibility requirements to receive funds under the Hardest Hit Fund Program, MSHDA created the Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) to administer the distribution of funds in Michigan. MSHDA's Board of Directors appointed five senior staff members from MSHDA and one MSHDA Board member to MHA's governing board. MHA was housed organizationally within MSHDA's Homeownership Division.

We reviewed the following six programs that supported the growth of communities, helped neighborhoods through structural renovations and developments, or addressed blighted residential and commercial properties.

- Hardest Hit Fund Blight Elimination Program - Assists Michigan communities with high vacancy rates address blighted residential properties by identifying and demolishing abandoned homes. The Program's goal is that the demolition of such properties will help stabilize property values by establishing more green space or making way for future development. MSHDA partnered with 16 community organizations, such as land bank authorities, in selected cities or counties throughout Michigan to complete the demolitions (see Exhibit #1).
- MSHDA Blight Elimination Program - Provided support of targeted demolition activity within local communities across Michigan for commercial and residential properties. Upon demolition, cleared properties were able to be developed into things such as a community park, a snowmobile trail, new family housing, or additional green space within communities (see Exhibits #4 and #5).
- Neighborhood Enhancement Program (NEP) - Funds tangible housing-orientated activities directly related to the stabilization and enhancement of Michigan neighborhoods. Activities should be designed to

improve the quality of life of the residents of low- or moderate-income housing or of an area undergoing neighborhood conservation or renewal (see Exhibits #2, #3, and #5). Examples of activities include:

- Beautification.
- Neighborhood public amenity enhancements.
- Single family housing enhancements.
- Emergency repairs.
- MSHDA Mod Program - A pilot program that is utilizing modular home products to help provide a practical workforce housing solution and attract homebuyers to Michigan communities. Communities are encouraged to construct modular-built homes using a MSHDA five-year repayable grant of up to \$196,000 for an initial model.
- Housing Development Fund Special Grants Program - MSHDA funded grants for projects chosen at MSHDA's discretion or for additional funding to MSHDA partners for their ongoing efforts. MSHDA used the grants we reviewed for projects such as:
 - Acquisition and renovation of housing for individuals with autism.
 - Construction of ramps for very low- to moderate-income housing to improve accessibility for individuals with disabilities.
 - Stabilization of critically located buildings within a community.
- Low Income Housing Tax Credit (LIHTC) Program - A federally funded tax credit that offers a financial incentive to construct, rehabilitate, and operate rental housing for low-income tenants. Our review focused only on the tax credits awarded within the Strategic Investment category by MSHDA for applications that demonstrated transformative neighborhood revitalization, a unique financial funding and leveraging opportunity, and/or the opportunity to promote significant job growth in proximity to such housing.

Expenditures and Tax Credits: MSHDA expended \$130.1 million in grants for community development, revitalization, and blight elimination during the period July 1, 2017 through September 30, 2019. MSHDA awarded \$5.1 million of tax credits for low-income housing projects in the Strategic Investment category.

Employees: As of September 30, 2019, MSHDA had 244 full-time employees.

SCOPE

Our preliminary survey generally covered July 1, 2017 through September 30, 2019 and included a limited review of the following MSHDA processes within the program areas related to community development, revitalization, and blight elimination:

- Grant funds and tax credit awards.
- Financial status report and payment review and approval.
- Review and approval of blight property eligibility documentation and reimbursable invoices for all community partners except the Detroit Land Bank Authority and the Genesee County Land Bank Authority.
- Property compliance monitoring, inspections, and tenant audit file reviews.
- User access controls over the MATT 2.0, Elite, MAPPS, and MPI Systems.

PURPOSE

Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner. If the results of a preliminary survey do not identify significant concerns, our practice is to terminate the planned performance audit.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the community development, revitalization, and blight elimination programs' effectiveness or efficiency.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

COMMUNITY DEVELOPMENT, REVITALIZATION, AND BLIGHT ELIMINATION PROGRAMS

Michigan State Housing Development Authority (MSHDA)
Department of Labor and Economic Opportunity

Hardest Hit Fund Blight Elimination Program
As of September 30, 2019

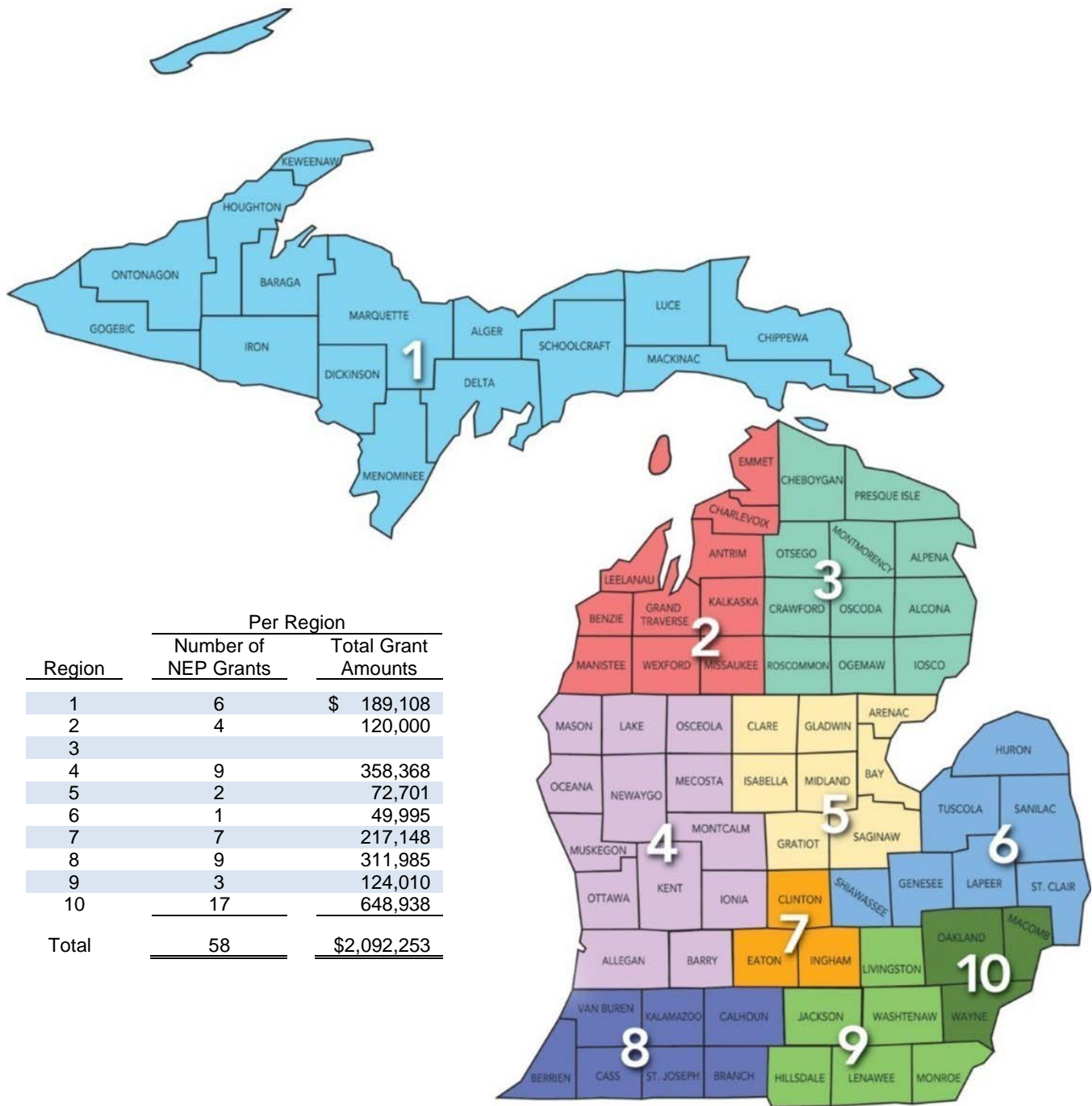
Community Organizations	Total Awarded	Number of Demolition Properties	
		In Process	Completed
Calhoun County Land Bank Authority	\$ 3,835,499	36	204
Gogebic County Land Bank Authority	1,135,882	8	45
Habitat for Humanity of Kent County	656,744		29
Ingham County Land Bank Fast Track Authority	6,000,000		384
John George Home, Inc.	5,500,000		248
Kalamazoo County Land Bank Authority	1,260,630		68
Kent County Land Bank Authority	1,776,435	1	92
Lenawee County Land Bank Authority	375,000		22
Marquette County Land Bank Authority	470,882	3	21
Michigan Land Bank Fast Track Authority:			
Hamtramck	515,869		23
Highland Park	4,911,561		239
Inkster	2,161,131		121
Pontiac	3,655,793		230
Muskegon County Land Bank Authority	3,625,000		293
Port Huron Neighborhood Housing Corporation	1,000,000		46
Saginaw County Land Bank Authority	13,637,865	2	974
Wayne Metropolitan Community Action Agency:			
Ecorse	2,590,000		165
Melvindale	102,000		6
River Rouge	1,700,000		102
Subtotal	\$ 54,910,290	50	3,312
Detroit Land Bank Authority*	\$258,653,459	2,747	12,685
Genesee County Land Bank Authority*	67,542,278	1,350	3,429
Subtotal	\$326,195,737	4,097	16,114
Statewide Total	\$381,106,027	4,147	19,426

*Not subject to our preliminary survey procedures.

Source: The OAG prepared this exhibit based on data obtained from MSHDA.

COMMUNITY DEVELOPMENT, REVITALIZATION, AND BLIGHT ELIMINATION PROGRAMS
Michigan State Housing Development Authority (MSHDA)
Department of Labor and Economic Opportunity

Map of NEP Regions
As of September 30, 2019



Source: Map created by MSHDA with table added by the OAG.

COMMUNITY DEVELOPMENT, REVITALIZATION, AND BLIGHT ELIMINATION PROGRAMS
Michigan State Housing Development Authority (MSHDA)
Department of Labor and Economic Opportunity

MSHDA Blight Elimination Program
As of September 30, 2019

Grantee Name	Grant Amount	Number of Properties Demolished to Date	
		Residential	Commercial
Cities:			
Bay City	\$ 250,000	20	
Grand Ledge	95,000	5	
Jackson	250,000	25	
Monroe	174,300	7	1
Muskegon	195,000	20	
Port Huron	250,000	14	
Saginaw	500,000	38	
Sturgis	48,800	4	
Counties:			
Berrien County	102,000	23	
Cheboygan County	200,000		2
Schoolcraft County	106,000	8	
Land Bank Authorities:			
Alger County Land Bank Authority	57,791		1
Baraga County Land Bank Authority	26,000	1	
Calhoun County Land Bank Authority	100,000		1
Cass County Land Bank Authority	84,000	4	
Detroit Land Bank Authority	458,000	30	
Genesee County Land Bank Authority	500,000		7
Kalamazoo County Land Bank Authority	132,000	8	
Marquette County Land Bank Authority	138,000	11	
Total	\$3,666,891	218	12

Source: The OAG prepared this exhibit based on data obtained from MSHDA.

COMMUNITY DEVELOPMENT, REVITALIZATION, AND BLIGHT ELIMINATION PROGRAMS

Michigan State Housing Development Authority (MSHDA)

Department of Labor and Economic Opportunity

MSHDA NEP and MSHDA Blight Elimination Program Before and After Photographs
As of September 30, 2019

Front Porch Repairs – NEP

BEFORE

AFTER



This exhibit continued on next page.

Front Porch Repairs – NEP (Continued)

BEFORE



AFTER



Demolished Commercial Property – MSHDA Blight Elimination

BEFORE



AFTER



This exhibit continued on next page.

Demolished Residential Properties – MSHDA Blight Elimination

BEFORE

AFTER



Source: Photographs provided by MSHDA.



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