Inspector General reprises concerns over blight efforts

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(Photo: Eric Seals, Detroit Free Press)

WASHINGTON — A federal inspector general is continuing to raise questions about a perceived lack of oversight, standards and goals for a U.S. Treasury program that has promised about $100 million to tear down thousands of blighted properties in Detroit.

In an audit report to be released today, Christy Romero, the special inspector general for the nation's Troubled Asset Relief Program (TARP) says that in allowing several states, including Michigan, to use funding for blight removal, Treasury has failed to take the same steps to measure performance and set goals that it did with other TARP programs.

"Being in the dark makes it difficult for Treasury to fulfill its important responsibilities as the steward of TARP … (decreasing) Treasury's ability to protect against fraud, waste and abuse," the report said. "Treasury cannot improve what it does not know."

But in a letter to Romero, Mark McArdle, the head of Treasury's homeowner preservation efforts, criticized the report as flawed by the "fundamental misunderstanding" that the department would dictate efforts or goals to the states receiving awards under the program.

While Treasury, he said, mandates funding not be released without proper documentation and set benchmarks for each of the blight removal programs in Michigan and five other states, it was never intended to set "static goals" that would not allow states to react to local conditions. He called the department's oversight appropriate, monitoring inspection reports, contractor invoices and more.

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So far, $372 million has been committed to six states for blight removal, with Michigan getting the largest single amount at $175 million to date. Of that, Detroit is expected to get about $100 million — the lion's share of about $150 million total it has received in federal blight funds from all sources.

As the Free Press reported last month, no city in the U.S. has received as much as Detroit to combat blight, though the funding will soon run out without a new stream of revenue.

Romero's audit followed up on a January report to Congress in which she first raised questions about Hardest Hit Fund money being used for blight removal, noting that initially, the fund was intended only as a program to help keep homeowners in their homes during the mortgage crisis.

Officials in Michigan and the other states successfully made the case that removing blight could help stabilize neighborhoods. But in her audit, Romero said little, if any, effort has been made to link specific goals for the funding toward that end.

She noted that before approving blight funding for Michigan, Treasury performed an analysis that indicated the impact of a demolished property would be felt within a 200-foot radius, and that the removal of a vacant house could "lower the default probability of nearby properties" by less than 2%.

Without commenting on whether that impact was great enough to justify the program, Romero simply said it showed that Treasury could do such an analysis — and set goals — for the program. Treasury said the Detroit analysis was only meant as a basic justification that there would be impact, not a comprehensive look at what the overall impact of the entire program could or would be.

Throughout the report, however, Romero noted what she considered a lack of appropriate oversight on local land banks, nonprofit organizations and contractors pulling down blighted properties.

Treasury, she said, does not monitor contract performance and neither, in some cases, do the states. In some cases, she said, local groups decide how many structures and in which neighborhoods should be demolished, rather than the states or Treasury taking a role in those decisions. She acknowledged, however, that funding is not released to contractors until the state receives proper documentation.

The report — which did not express an opinion on whether the use of Hardest Hit Fund money for blight removal is wise — made several recommendations, but the overarching request was for Treasury to go back and set goals and measurable outcomes for the programs.

Treasury was unlikely to follow such a suggestion and without Congress' intervention, it was unlikely to go much further.

"The report's suggestion that Treasury should manage and direct the day-to-day implementation of each of the states' programs is inconsistent with the design and intent of the HHF program," McArdle said.

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