



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT
DETROIT FIELD OFFICE
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January 31, 2022

Brian McGrain
Director
Economic Development and Planning
City of Lansing
316 N. Capitol Ave Ste. D-1
Lansing, MI 48933

Dear Brian McGrain:

SUBJECT: Non-Compliance with CDBG Housing Rehabilitation Requirements
Community Development Block Grant (CDBG) Program

In reviewing the City of Lansing's rehabilitation procedures and response to program complaints, this Office determined that the City failed to comply with the requirements contained in 2 CFR Part 200 Subpart D (Post Federal Award Requirements). Subsequently four Findings were issued on November 21, 2021.

The City timely responded to the Findings on December 15, 2021 and January 18, 2022. The intent of this letter is to provide a disposition to the Findings.

FINDING #1: Rehabilitation written policies and procedures.

Corrective Actions

Grantee should have policies and procedures to carry out each requirement applicable to the rehabilitation program. The Policies and Procedures for the CDBG requirements above should be updated or developed and adopted to include procedures for foreseen situations. Additionally, the procedures should include annual staff training, contractor/subrecipient training, frequency of the solicitation for pre-qualifying contractors, and tracking poor performers with clear resolutions or penalties. Notify this office of completion within 30 days of the date of this report.

Grantee Response

The Development Office has written and adopted the following policies and procedures:

- Unforeseen Circumstances
- Annual Staff Training
- Contractor Training
- Sub Recipient Training
- Frequency of Solicitation for Pre-Qualifying Contractors
- Contractor Complaint Policy including procedures for tracking complaints.

Disposition

From the City's response, it is not clear if the following is included in the Policies and Procedures. Please verify or add the following to the applicable Policies and Procedures to close this Finding:

- a. Contractor Oversight
 - a. The procedure to determine the acceptable quality of work prior to issue the work "complete" and contractor payment
 - b. The procedure to track poor performance and misconduct (with clear resolutions or penalties)
- b. The procedure and schedule of staff rehabilitation activities management meetings
- c. The procedure for checking/verifying data entered into CDM (Community Development Manager System)
- d. The City's plan for requesting CDM training/updating from the System contractor in efforts of getting the better utilization of the software
- e. Procedure and schedules for Annual Staff Training
- f. Procedure and schedules for Contractor Training

This Finding remains open.

FINDING #2: Failure to monitor rental projects.

Corrective Actions

The grantee should monitor all rental units that are under the affordability requirements within 30 days of the date of this letter. A copy of the monitoring schedule is due to this office within 7 days of the date of this letter to close this finding, which is subject to future verification.

Grantees Response

The Development Office has completed monitoring and certified tenants in all but three (3) of its 165 rental units. The 3 units that are uncompiled have been sent finding letters. If they remain uncompiled further action will be taken. The rental monitoring worksheet is attached to this correspondence.

Disposition

This Finding is closed, but subject to future verification.

FINDING #3: Failure to follow Dispute Resolution Procedures.

Corrective Actions

Within 30 days of the date of this letter, the dispute policy should be updated with contributions and input from the current contractors and should include the departments' up-to-date organizational chart showing lines of responsibility. The grantee should retrain all pre-qualified contractors as well as the rehabilitation staff on their dispute procedures and ensure that

all future beneficiaries are informed of the dispute resolution process. Notify this office once complete.

Grantee Response

The Development Office has updated its Dispute Resolution Policy, Procedure and Practice to include an "Informal Complaint Procedure", a "Formal Complaint Procedure" and the current Development Office Organizational Chart. This updated document will be provided to current clients via mail and to future clients at the loan closing.

The Development Office has also written and adopted a contractor complaint policy and procedure that clearly outlines the roles of the contractor, rehab specialist, and homeowner; and reiterates the contract requirements. Both documents were provided to pre-qualified contractors at a mandatory Contractor Meeting held on Friday, December 17, 2021; also included the updated Contractor Handbook, which each newly approved contractor receives upon approval.

Disposition

It is not clear that the required actions to close this finding has been met. Please verify the following:

- a. There was input from the current contractors. This language should also be adopted in the P&P.
- b. The City retained all pre-qualified contractors.
- c. The City retained all rehabilitation staff.
- d. The dispute procedures ensures that all future beneficiaries are informed of the dispute resolution process. "Language should be in the P&P".
- e. The meeting scheduled for December 17, 2021 occurred.

This Finding remains open.

FINDING #4: Bids not solicited from an adequate number of qualified sources.

Corrective actions

The City should aggressively promote and use broader outreach measures to encourage additional contractor participation. Pre-qualified lists of vendors/contractors, if used, must be current, and developed through open solicitation, including adequate numbers of qualified sources, and must allow entry of other firms to qualify at any time during the solicitation period. Correspondingly, if an adequate number of responders (three or more) is not routinely received, the grantee should try additional promotion and outreach strategies.

Grantees Response

The Development Office has developed and adopted a Policy and Procedure that outlines a yearly contractor solicitation plan. This plan includes yearly requests for applications from qualified contractors via printed media including publications aimed at minority populations, as well as social media and City TV as well as written request letters sent to MSHDA's Minority Business Enterprises and Women Owned Business Enterprises, to take place in January of each year.

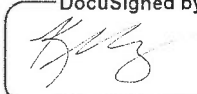
Additionally, this year the Development Office plans radio advertisements requesting applications from qualified contractors as well.

Disposition

This Finding is closed.

Two of the four Findings are closed (#2 and #4). Findings #1 and #3 remain open and a response is due within 10 days from the date of this letter. The City's response must be emailed to detroitcpd@hud.gov with a copy to CPD Representative, Portia D. McGoy at Portia.D.McGoy@hud.gov. Please email Portia D. McGoy with any questions. Thank you for your cooperation.

Sincerely,

DocuSigned by:

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Keith E. Hernández, AICP, PMP

Director

Office of Community Planning and Development