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HUD asks West Palm Beach to pay back \$3M

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A federal agency says it wants nearly \$3 million back from West Palm Beach because of how poorly the city managed low-income housing grants.

The Department of Housing and Urban Development says the city missed deadlines, kept poor records and lacked procedures to oversee the spending of federal money it distributed to an arm of the Redemptive Life Fellowship church. The city had hired the organization to build houses as part of a major effort to revitalize one of West Palm's most downtrodden neighborhoods, Coleman Park.

City records show the nonprofit arm of Redemptive Life sold \$4 million worth of homes between 2005 and 2012. The nonprofit's agreement with the city allowed it to keep up to 10 percent of the sales proceeds.

An August 2011 city investigation found at least 21 instances in which the nonprofit, run by Bishop Harold Ray, failed to follow federal grant regulations in the Coleman Park project. In March 2012, The Palm Beach Post revealed that the city, using HUD dollars, paid the nonprofit twice for four vacant lots.

A city spokesman said Thursday that the report by HUD's Inspector General "confirms the findings of a city investigation two years ago" and that the city already has overhauled its practices. The city will try to recover from Redemptive Life the federal money it says the organization hasn't accounted for, spokesman Elliot Cohen said.

Redemptive Life has denied intentional wrongdoing, saying it might have made minor mistakes. Redemptive also said it detailed to the city where money was spent. Church officials couldn't be reached Thursday.

The new federal report, which looked at activity stretching back to 2002, recommended the city:

- Reimburse HUD more than \$1.4 million.
- Be docked \$559,289 from future federal HUD money for low-income housing.
- Divert to other low-income housing programs \$988,272 that had been meant for a subcontractor working with Redemptive Life.
- Determine whether \$11,728 the city drew from that escrow was properly spent.

The federal report is dated Sept. 30 but, because of the federal government shutdown, was not posted on the Inspector General's website until Thursday.

The report was sent from Washington, D.C., to the HUD field office in Miami for review. Officials in Miami are expected to review the report and issue their own recommendations.

Cohen said the city is waiting to see what the final recommended penalty will be, before it decides whether to challenge it.

The amount the city pursues from Redemptive Life will depend on "what Miami tells us," Cohen said. In 2012 the city said it would seek as much as up to \$1.1 million.

The city met with HUD officials several weeks ago. “While there were issues with Redemptive Life, there were also issues with our own internal procedures,” Cohen said. “We’ve made major changes to the way we track federal housing dollars to ensure we have the needed checks and balances.” The city’s finance department now monitors the housing department’s use of federal funds.

“I don’t know where all the dollars went and that’s what we’re trying to work out,” Housing Director Valmarie Turner said in December 2011, after the city’s internal audit. Turner stepped down soon after that. She’d been hired just a year earlier to clean up a housing department in disarray.