

# City moves to recoup May St. housing loss

## WORCESTER

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WORCESTER — The city has started foreclosure proceedings — including an auction next month — for a May Street apartment building that was the site of a controversial affordable housing project.

Through the auction, the city hopes to recoup some of the money it has spent to repay the U.S. Department of Housing and Urban Development and the state Department of Housing and Community Development to address ineligible expenditures associated with the rehabilitation of the apartment building at 5 May St.

More than \$2.3 million in public funds had been spent on rehabilitating the building, but it was later discovered that some of the money was used for ineligible purposes, prompting the federal and state governments to seek repayment from the city of that money.

City Manager Michael V. O'Brien said the city is exercising its rights under the terms of its contracts and has initiated the necessary steps to force the sale of the 5 May St. property.

The developer failed to meet its obligation to provide 13 units of affordable housing in 2011, as it originally contracted with the city to do.

The auction is scheduled for 11 a.m. Feb. 19 at 5 May St.

City officials are working to identify a new development team for the property, which includes a four-story brick/masonry building with nearly 15,000 square feet of living area on a 6,090-square-foot lot. It is assessed at \$764,500. The previous year it was assessed at \$662,600.

The project drew much scrutiny from several members of the City Council, who complained that too much public money was going into a private project.

The property was owned by 5

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May Street LLC, an affiliate of Levin Development LLC. It acquired the property in February 2010 for \$435,000, according to city assessors' records.

Later that same year, the city executed its original funding contract with 5 May Street LLC. It was for \$1.94 million and consisted of funding from the following primary sources: Worcester Lead Paint Abatement Program (\$100,000) and the Neighborhood Stabilization Program (\$1.3 million), which included a state match of \$340,000 and a city match of \$200,000.

The contract was then amended a year later when \$200,000 was added in Neighborhood Stabilization funds and \$250,000 in city Home Investment Partnership (HOME) funds.

That increased the total public funding under the contract to \$2.39 million.

City officials said demolition was performed to the building's interior, along with the replacement of windows, the initial framing for interior living spaces, and plumbing and electrical work.

But it was later discovered through internal reviews on the city's part that public funds were paid to the developer without sufficient verification to meet federal HUD and state DHCD standards to determine eligibility.

Upon learning that, Mr. O'Brien conducted a review and turned all appropriate documents over to HUD and other agencies.

In addition, Jacqueline Vachon-Jackson, a former city housing director, was suspended and then fired by the city manager in March 2012 amid allegations of improper dealings with the developer of the May Street project, as well as with others doing business with the city.

Meanwhile, the developer stopped work on the project in

mid-2011 and in the process failed in its obligation to provide 13 units of affordable housing by the end of that year as it was contracted with the city to do.

The fallout from the project was costly to the city, however.

The city will repay \$100,000 to HUD for ineligible expenses for the project that were paid through the Worcester Lead Abatement Program.

In addition, the city will also be replenishing its grant account for unreimbursed expenses that have been deemed ineligible, totaling more than \$284,000.

At the same time, the state DHCD has agreed to reprogram about \$1.56 million in "recaptured funds" — those required to be repaid by the city to the state because of ineligibility — as grants to assist the city in other affordable housing projects.

Mr. O'Brien said that is recognition of the many housing initiatives already under way here.

Since the problems with 5 May St. surfaced, the city has created new processes to ensure that every project is now monitored by multiple checks and balances, including doing internal audits of construction progress.

