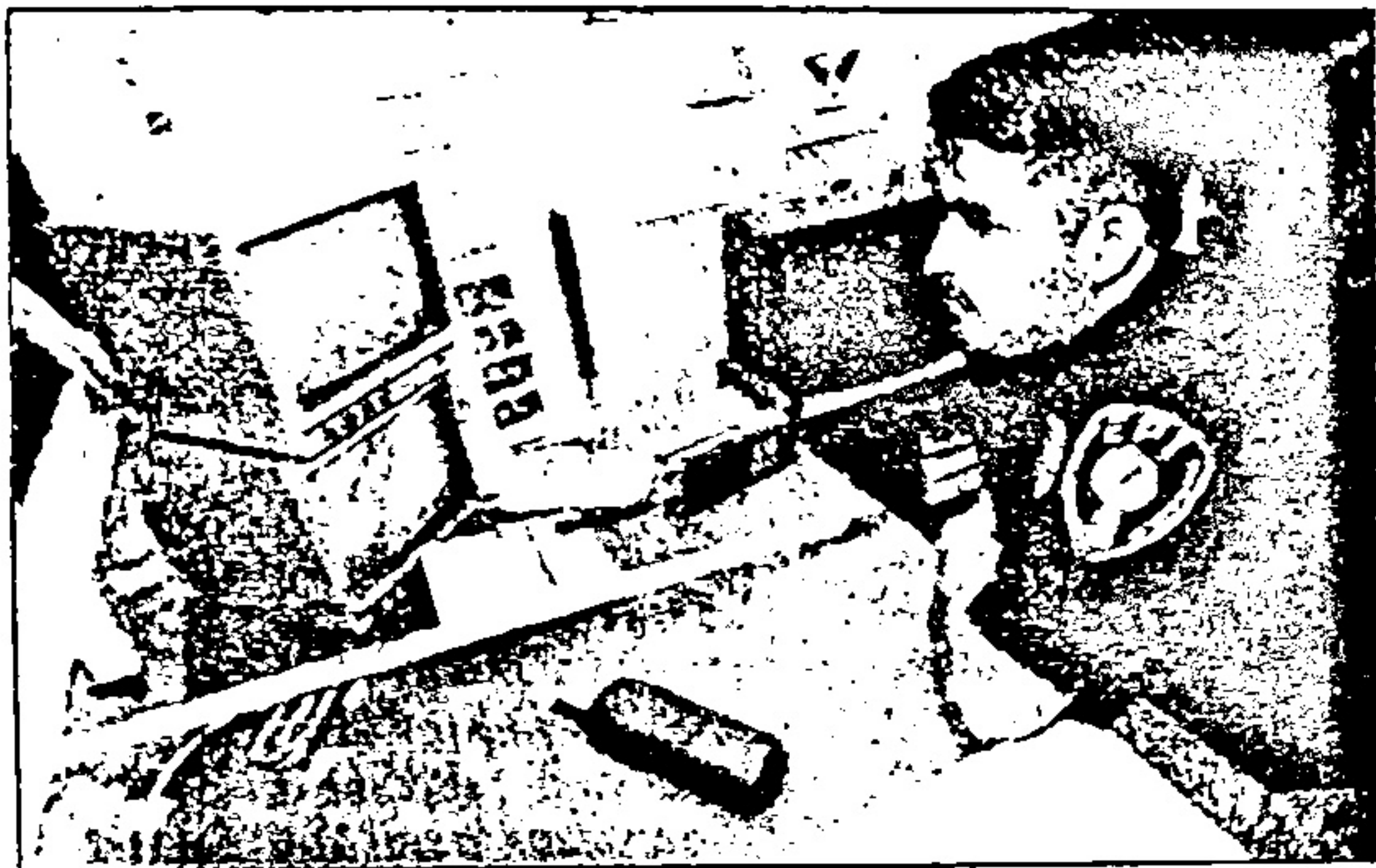


# HUD may seek Grand Hotel refund



Rockford Register Star file photo

Executive Protection & Investigation's Mike Villarreal, shown in February, guards the Grand Hotel. The U.S. Department of Housing and Urban Development might seek reimbursement of funds allocated for the security guards.

**■ Rules violations:** The city might have to reimburse \$170,000 paid to a security firm.

By **SCOTT WILLIAMS**

Rockford Register Star

ROCKFORD — Federal regulators overseeing Rockford's community development department are threatening to seek reimbursement of \$170,000 in federal funds used to provide security at the Grand Hotel.

The U.S. Department of Housing and Urban Development has found that federal rules on competitive bidding were violated in 1997 when the city allocated funds to hire security guards at the crime-

ridden hotel.

HUD officials ruled that the private security firm of Executive Protection & Investigation Inc. should have been — but was not — required to outbid other companies for the Grand Hotel assignment.

Community Development Director Barbara Richardson said the city still is preparing its response to HUD.

If reimbursement is ordered, Richardson said, the money will come from the city's general fund. Zion De-

velopment Corp. will not be asked to pay back the city, she said, because city officials allowed the church-affiliated agency to hire security guards without taking bids.

"It was our mistake," she said. "We're not going to make Zion pay for a city mistake."

She said competitive bidding rules are being enforced on all other contracts for renovating and operating the Grand Hotel.

The problem is among several HUD auditors cited after a special review of the community development department prompted by earlier concerns about how City Hall

was accounting for its federal funding.

Federal staffers spent three days in Rockford in April examining the Grand Hotel deal and other city projects supported by federal funds allocated under Community Development Block Grant and other programs administered by HUD.

According to HUD reports obtained under the U.S. Freedom of Information Act, the federal agency found city records "confusing" — including on a \$50,000 loan to a Main Street nightclub — and they expressed concern about an additional \$180,000 loaned

to a nonprofit housing group that later shut down.

But the funding for security guards at the Grand Hotel, a troubled business acquired by the city in partnership with Zion Development, is the only instance in which HUD might seek reimbursement.

In a Nov. 4 letter to Mayor Charles Box, federal officials wrote that if City Hall cannot prove taxpayers were not overcharged for the security guards, that "may result in HUD advising the city to reimburse."

Please see **Refund**, 9A▷