

094959

RED-75-393
7-22-75
094959



REPORT TO THE CONGRESS

Environmental Assessment Efforts For Proposed Projects Have Been Ineffective

Department of Housing and Urban Development

In the 5 years since passage of the National Environmental Policy Act, the Department of Housing and Urban Development has not developed and put into effect an adequate program for assessing the environmental impacts of projects proposed for its approval.

GAO believes that the Department's compliance with the act will be limited until top management places a higher priority on meeting the law's requirements. One way would be to elevate the responsibility for implementing the act's provisions to a higher and more independent level within the Department's organization.

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

RED-75-393

~~706488~~

094959

JULY 22, 1975



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-170186

21 / To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the Department of Housing and Urban Development's efforts to implement the National Environmental Policy Act which requires that all Federal agencies consider in their decisionmaking process the effect of their actions on the quality of the human environment.

We issued reports on May 18, 1972 (B-170186), and November 27, 1972 (B-170186), which indicated that the Department and other selected Federal agencies were having problems in effectively implementing the act. This report was prepared to show the Department's progress in developing and implementing an effective program for assessing the environmental impacts of projects proposed for its approval. It shows that the Department's efforts have been ineffective and recommends ways for improving performance.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53 (1970)), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67 (1970)).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Housing and Urban Development.

A handwritten signature in black ink, reading "Luther B. Atwater".

Comptroller General
of the United States

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	HUD organization and procedures	2
	Types of environmental clearances	3
	Resources devoted to environmental clearances	6
	Housing and Community Development Act of 1974	6
	Previous GAO reviews of HUD's implementation of NEPA	7
2	WEAKNESSES IN HUD'S ENVIRONMENTAL CLEARANCE PROCESS	9
	More environmental impact statements should have been prepared	11
	C. H. Huber Enterprises, Inc. Section 6, 124-lot subdivision	14
	Potomac River Water Supply project	16
3	INADEQUACY OF HUD-PREPARED ENVIRONMENTAL IMPACT STATEMENTS	20
	Bergstrom Arms Apartments	21
	Existing environment's impacts on the project	22
	Project's impacts on the existing environment	23
	Inadequate consideration of alternatives	24
	Overall agency comments on the statements	24
	Harpers Square Apartments	25
	Noise impact on the project	26
	Incentive for the project to promote further residential development	27
	Project's impact on the area's storm drainage system	28
	Inadequate consideration of alternatives	29
	Overall agency comments	30

	<u>Page</u>
CHAPTER	
4	FACTORS CONTRIBUTING TO HUD'S PROBLEMS
	IN IMPLEMENTING NEPA
	Lack of priority and emphasis
	Inadequate guidance
	HUD personnel not adequately
	trained and qualified
	31
	31
	33
	35
5	CONCLUSIONS, AGENCY COMMENTS AND
	OUR EVALUATION, AND RECOMMENDATIONS
	Conclusions
	Agency comments and our evaluation
	Validity, currency, and
	representativeness of
	projects reviewed
	Validity of using other
	agencies in evaluating
	HUD's environmental
	assessments
	HUD's position on the need for
	more environmental impact
	statements
	HUD's response to GAO's
	proposals for corrective
	actions
	HUD's internal evaluation
	Recommendations
	Matters for consideration by the
	Congress
	37
	37
	37
	38
	40
	41
	42
	47
	48
	48
6	Scope
	50
APPENDIX	
I	Letter dated April 14, 1975, from the
	Assistant Secretary for Community
	Planning and Development, HUD
	51
II	Project applications examined
	64
III	Principal HUD officials responsible
	for administering activities discussed
	in this report
	65

ABBREVIATIONS

CEQ	Council on Environmental Quality
CPD	Community Planning and Development
EPA	Environmental Protection Agency
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
NEPA	National Environmental Policy Act of 1969

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

ENVIRONMENTAL ASSESSMENT
EFFORTS FOR PROPOSED PROJECTS
HAVE BEEN INEFFECTIVE

Department of Housing and
Urban Development 23

D I G E S T

Because of the ineffectiveness of efforts by the Department of Housing and Urban Development to assess the environmental impacts of projects proposed for its approval, GAO is recommending that the Secretary of the Department

- elevate the environmental function to the highest practical independent organizational level,
- emphasize to management the need to give higher priority to complying with requirements of the National Environmental Policy Act of 1969,
- require clearance personnel to make more effective use of the environmental expertise available in other Federal, State, or local agencies, and
- set up a specially designed training program to periodically instruct personnel in performing more adequate clearances. (See p. 48.)

The National Environmental Policy Act requires that all Federal agencies consider the effect of their actions on the quality of the human environment. The Department of Housing and Urban Development needs to place higher priority on effective implementation of the environmental clearance function.

Contrary to the Department's policies and procedures, its offices approved a large percentage of projects without preparing normal or special environmental clearances designed to assess projects' environmental impacts or serve as a basis for determining whether an environmental impact statement should be prepared. When the clearances were prepared, the project files often did not contain adequate information to (1) show which factors, such as air and water quality, had been considered in making the

environmental assessments and (2) justify the type of clearance prepared. Several environmental impact statements prepared for project proposals showed that they generally were of limited usefulness to the Department's offices in their planning and decisionmaking process.

The Department disagreed generally with GAO's findings and its proposals for corrective action. (See pp. 37 to 48.)

MATTERS FOR CONSIDERATION
BY THE CONGRESS

Under regulations for implementing the Housing and Community Development Act of 1974, the Department has made localities responsible for assessing the environmental impacts of projects to be funded with community development block grants. Its offices, however, retain responsibility for the function for housing assistance or insurance projects, which accounted for most actions before passage of the 1974 act.

Considering the Department's lack of priority and emphasis on assessing the environmental impacts of projects which it approves, the Congress may wish to question during future hearings how effectively localities are carrying out their responsibilities for the environmental review of proposed projects. (See pp. 48 and 49.)

CHAPTER 1

INTRODUCTION

The National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321 et seq.), which set forth the Nation's environmental goals, was intended to

- declare a national policy encouraging productive and enjoyable harmony between man and his environment,
- promote efforts to prevent or eliminate damage to the environment and biosphere and to stimulate the health and welfare of man,
- enrich the understanding of the ecological systems and natural resources important to the Nation, and
- establish a Council on Environmental Quality (CEQ).

The act recognized man's impact on the environment, particularly population growth, high-density urbanization, industrial expansion, resource exploitation, and new and expanding technological advances.

To achieve the act's purposes, Federal agencies are required to develop decisionmaking procedures which will appropriately consider environmental as well as economic and technical factors. Agencies must use a systematic, interdisciplinary approach in making environmental assessments.

The agencies must prepare environmental impact statements, as described in section 102 of the act, for each of their proposals for legislation and other major Federal actions significantly affecting the quality of the human environment. Each agency determines whether projects require environmental impact statements. Before preparing such statements, the agencies must consult with, and obtain the comments of, any other Federal, State, or local agency which has jurisdiction over or special expertise on any environmental impact involved.

CEQ (1) provides national policy and guidance on Federal activities affecting the environment, (2) assists in coordinating these activities, and (3) oversees the Federal agencies' implementation of NEPA. On April 23, 1971, CEQ issued guidelines entitled "Statements on Proposed Federal Actions Affecting the Environment" which provided that each Federal agency establish procedures for (1) identifying its actions requiring environmental impact statements, (2) designating

in its review process the points at which the statements were to be prepared, (3) obtaining information required in preparing the statements, (4) designating the officials to be responsible for the statements, and (5) consulting with, and considering the comments of, appropriate Federal, State, and local agencies. CEQ issued revised guidelines for preparing environmental impact statements on August 1, 1973.

The Department of Housing and Urban Development (HUD) administers the U.S. Government's principal programs and activities which provide assistance for housing and for the sound development of the Nation's communities and metropolitan areas. HUD has a wide range of programs, including block grant assistance for such community development activities as urban renewal, water and sewer, open space, and neighborhood facilities projects; housing subsidies for low- and moderate-income families; mortgage insurance for single-family dwellings; planning assistance; and disaster assistance.

HUD channels its assistance through local governments and private and public developers. Its administration of these programs and activities is primarily decentralized and handled by 10 regional offices, 39 area offices, and 37 insuring offices. HUD's fiscal year 1974 appropriations totaled \$3.5 billion; those for fiscal year 1975 were an estimated \$5.4 billion.

HUD ORGANIZATION AND PROCEDURES

In June 1970 the Secretary of HUD assigned the Deputy Under Secretary of HUD the responsibility for administering and coordinating HUD's efforts to implement NEPA. The responsibility was transferred to the Assistant Secretary for Community Planning and Management in October 1971 and was transferred to the Assistant Secretary for Community Planning and Development (CPD) in July 1973, when HUD merged the offices of the Assistant Secretary for Community Development and the Assistant Secretary for Community Planning and Management.

CPD's Environmental Planning Division, Office of Environmental Quality¹, has the day-to-day responsibility for implementing NEPA. Functions of the division include

¹Before July 1974, the functions of this division were assigned to the Environmental and Land Use Planning Division of the the Office of Community and Environmental Standards, CPD.

developing departmental guidelines, standards, and regulations for assessing the environmental impacts of proposed HUD actions and assisting in identifying and developing programs to meet the environmental training needs of HUD personnel. In May 1975 the division had 10 professional full-time employees and 2 professional part-time employees.

A regional environmental and standards officer oversees and monitors the environmental clearance process throughout a region and also trains area and insuring office personnel involved in the clearance process. The officer also approves the draft and final environmental impact statements prepared by an area or insuring office.

HUD's area and insuring office personnel make most of HUD's environmental clearances. Environmental clearance officers in the area or insuring office oversee, monitor, and review the preparation of clearances and train personnel involved.

The New Communities Administration at HUD's Washington, D.C., central office is responsible for preparing an environmental impact statement for each new community project proposal.

Types of environmental clearances

HUD-approved projects vary greatly in size and potential impact. HUD's three types of clearances--normal, special, and environmental impact statements--differ principally in the degree of effort HUD personnel should devote to identifying, discussing, and assessing the proposed projects' environmental impacts.

Each of the three types of clearances requires, among other things, a determination of (1) the beneficial and adverse environmental impacts of a project proposal, (2) the measures taken or planned to reduce or eliminate any adverse impacts, including consideration of alternatives to a proposal, and (3) whether clearinghouse agencies' comments required by Office of Management and Budget Circular A-95 have been obtained and indicate any environmental problems. HUD has established thresholds--based primarily on the projects' size and potential environmental impact--to help HUD personnel decide the initial type of clearance to be given to a project.

HUD personnel and clearance officers determine whether a normal or special clearance or an environmental impact statement satisfactorily assesses the environmental impact of a proposed project. If a normal or special clearance

indicates environmental matters that need further assessment, HUD personnel must prepare the next higher level of clearance.

HUD policies and procedures require that the clearances be completed before HUD approves the project. HUD has designated certain decision points in the application process before which a clearance must be completed.

Before November 4, 1974, applicants were required to submit detailed information for HUD personnel to use in conducting the required environmental clearances, including (1) a description of the existing physical and social environment of the site and area, (2) the environment's effect on the project, and (3) the project's effect on the environment.

On November 4, 1974, HUD revised its policies and procedures for preparing environmental clearances for HUD-insured projects; subdivisions to contain housing eligible for HUD mortgage insurance; and low-rent housing projects to eliminate the requirement that project applicants submit information with their applications on the proposals' environmental impacts, except generally when HUD personnel cannot obtain such information. HUD appraisers assigned to the projects were made responsible for processing simplified normal or special clearances, with assistance from other sources as needed. These revised procedures increased the size of multifamily housing projects and subdivision projects requiring special clearances and required that an environmental impact statement be prepared for these type projects having 500 units or more. These types of projects account for the majority of those processed by HUD offices.

Normal clearance

A normal clearance is required for proposed projects below HUD's thresholds when it is not immediately evident that a higher level of clearance is needed. For example, HUD requires that a normal clearance be prepared initially for a proposed multifamily housing project of five units or more on which HUD is requested to provide mortgage insurance.

The normal clearance is essentially a consistency check with HUD environmental policies and procedures and a brief evaluation of environmental impact. A normal clearance generally results in a statement that the project will not significantly affect the environment. Many of HUD's decisions to accept, modify, or reject projects on the basis of environmental considerations are based on information obtained from a normal clearance.

Special clearance

A special clearance is required when a normal clearance identifies potential environmental impacts that have not been mitigated or when the proposed project meets or exceeds the established threshold. For example, HUD requires that a special clearance be prepared for a subdivision project which has 100 or more lots, each of which is 6,000 square feet or greater. A special clearance should evaluate the project's impact on the environment in greater detail and depth than a normal clearance. For example, a special clearance might discuss the potential impact that children of residents of a proposed multifamily housing project might have on the area's schools, including information on the schools' existing and planned capacities, current enrollments, and number of school-age children from the project who are expected to attend the schools. HUD personnel preparing the clearance are not required to consult with other Federal, State, and local agencies, but they may do so to verify the accuracy and completeness of the environmental information they obtain.

Area and insuring office personnel who prepare the clearances furnish a copy to the environmental clearance officer of their respective offices. This officer reviews and evaluates it as the basis for recommending that program officials proceed with processing the project application, reject the project, or prepare an environmental impact statement.

Environmental impact statement

HUD's decision that a proposed project requires an environmental impact statement may be based on the results of a normal and/or special clearance initially prepared for the proposed project. HUD has also determined that some project proposals, such as housing projects proposed in unacceptable noise zones, automatically require statements.

A statement must consider

- the proposed action's environmental impact,
- any adverse environmental effects which cannot be avoided should the proposal be implemented,
- alternatives to the proposed action,
- the relationship between local short-term uses of man's environment and the maintenance and enhancement of long-term productivity, and

--any irreversible and irretrievable commitments of resources which would be involved if the proposed action were implemented.

An impact statement, which is prepared first in draft and then in final, should be essentially a self-contained document of sufficient detail to fully inform readers with no previous project knowledge of its environmental impacts. After the initiating HUD office assesses the project's impact, in accordance with the act and with CEQ and HUD guidelines, it must send the draft to CEQ and circulate it for review and comment to Federal agencies having jurisdiction by law or special expertise on the project's environmental impact. That HUD office must also request comments of appropriate State and local agencies and any group with special interest in the proposed action. The draft is also made available to the public and sent to CPD's Assistant Secretary. In revising the draft, the HUD office considers and responds to comments received and includes them in the final statement. HUD program officials should use this statement to decide whether a proposed project should be accepted, modified, or rejected. Final statements are also made available to the public and provided to CEQ and others who received copies of the draft statement.

Resources devoted to environmental clearances

HUD estimated that it devoted 90 staff-years of effort costing \$1.9 million to implement NEPA in fiscal year 1974. This included 68 staff-years costing \$1.4 million for the HUD field offices and 22 staff-years costing \$0.5 million for the HUD central office.

For fiscal year 1975, HUD estimated 156 staff-years would be spent costing \$3.2 million. These estimates included 124 staff-years costing \$2.4 million for the HUD field offices and 32 staff-years costing \$0.8 million for the HUD central office.

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The Housing and Community Development Act of 1974 (Public Law 93-383) provides for a new program of community development block grants to replace HUD's categorical grant programs for community development activities. The act transfers to State and local governments the decisions of how and where the community development funds should be used and also the responsibility of evaluating the projects' environmental impact.

Under the block grant program, the Secretary of HUD is authorized in fiscal years 1975-77, subject to appropriations by the Congress, to grant \$8.4 billion to States and units of local governments. Grants may be used to finance all activities assisted previously under HUD's community development programs. To obtain their allocated share of the authorized grants, applicants must submit to HUD a summary of a 3-year plan which identifies community development needs, demonstrates a comprehensive strategy for meeting those needs, and considers environmental factors.

The act authorizes the Secretary to issue regulations providing for the release of funds for particular community development projects to applicants who assume the responsibilities for environmental review, decisionmaking, and action pursuant to NEPA that would apply to the Secretary of HUD were HUD to undertake such projects.

On January 7, 1975, HUD issued final environmental review procedures for this program. All applicants will be required to assume the same responsibilities for complying with NEPA as HUD assumes for other projects, unless HUD determines an applicant lacks the legal capacity to assume or carry out such responsibilities.

PREVIOUS GAO REVIEWS OF HUD'S
IMPLEMENTATION OF NEPA

We have previously issued two reports to the Congress that discussed HUD's efforts to implement NEPA. Our May 18, 1972, report (B-170186) to the House Subcommittee on Fisheries and Wildlife Conservation recommended that HUD and six other Federal agencies revise their procedures for preparing and processing environmental impact statements to insure that

- the statements are available at all levels of review and at the earliest stages of decisionmaking,
- measures developed and incorporated into statements to mitigate the environmental impact of proposed actions are effective and actually materialize,
- actions requiring statements are defined and the ranges of environmental impacts to be considered are determined, and
- environmental expertise available in other agencies is identified and obtained.

The Secretary of HUD stated that he generally agreed with our recommendations and that HUD's efforts were being directed to improving agency procedures by tightening thresholds and clarifying the various roles of its central, regional, area, and insuring offices.

Our November 27, 1972, report (B-170186) to the same subcommittee discussed the adequacy of HUD's and five other Federal agencies' environmental impact statements. We evaluated HUD's statement for the proposed new community of Riverton, New York. We reported that the usefulness of HUD's and the other five agencies' statements in planning and decisionmaking was impaired by inadequate:

- Discussion of, and support for, the identified environmental impacts.
- Treatment of reviewing agencies' comments on environmental impacts.
- Consideration of alternatives and their environmental consequences.

The report contained no recommendations.

Chapters 2 and 3 of this report discuss the weaknesses in HUD's environmental clearance process and the inadequacy of HUD-prepared environmental impact statements. Chapter 4 discusses the factors contributing to these problems.

CHAPTER 2

WEAKNESSES IN HUD'S ENVIRONMENTAL CLEARANCE PROCESS

HUD field offices did not always comply with HUD's policies and procedures on preparing environmental clearances. For projects requiring normal or special environmental clearances, we found that:

- None were prepared for many proposed projects; others were prepared after the projects were approved.
- When they were prepared, they generally were not adequate to (1) reasonably assure that all environmental consequences had been identified and evaluated and (2) support HUD's decisions that environmental impact statements were not needed.

As a result of these weaknesses, HUD decisionmakers often did not have adequate environmental clearances to help them determine whether to approve, modify, or reject proposed projects. We also found that, although the potential environmental impact was so great that environmental impact statements should have been prepared for some projects, HUD approved the projects without them.

We visited three HUD area offices and two insuring offices and reviewed 253 projects which they had processed from July 1, 1972, through December 31, 1973. Contrary to HUD environmental clearance policies and procedures, the offices had approved

- 114 projects, or 45 percent, without ever preparing any type of environmental clearance,
- 20 projects, or 8 percent, before preparing required clearances, and
- 5 projects, or 2 percent, after preparing only normal clearances rather than the required special clearances.

Twenty-three projects, or 9 percent, had undated clearances.

Thus, the five offices prepared clearances as required by HUD for only 91, or 36 percent, of the 253 projects, as shown in the following table.

<u>HUD field office</u>	<u>Projects requiring clearances</u>	<u>Clearances not prepared</u>	<u>Improper type of clearance prepared</u>	<u>Clearances prepared after project approval</u>	<u>Clearances not dated</u>	<u>Proper type of clearances prepared</u>
Cincinnati, Ohio	73	59	4	-	7	3
Louisville, Kentucky	69	31	1	5	-	32
Washington, D.C.	56	13	-	10	15	18
Indianapolis, Indiana	47	7	-	3	1	36
Wilmington, Delaware	<u>8</u>	<u>4</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Total	<u>253</u>	<u>114</u>	<u>5</u>	<u>20</u>	<u>23</u>	<u>91</u>
Percent	100	45	2	8	9	36

When normal or special clearances were prepared, project files often did not contain adequate information to (1) show which factors, such as air and water quality, had been considered in making the environmental assessments and (2) justify the type of clearance. Many of HUD's clearances identifying potential impacts or problems did not explain their significance or solutions. Also, the clearances generally did not adequately discuss alternatives to the proposed actions when the proposals had potential significant environmental impacts.

Rather than preparing independent environmental assessments for some projects, HUD adopted those submitted by the applicants without verifying them and apparently without considering the need for obtaining more information.

MORE ENVIRONMENTAL IMPACT STATEMENTS SHOULD HAVE BEEN PREPARED

HUD offices nationwide processed from enactment of NEPA on January 1, 1970, through June 30, 1974, an estimated 30,000 project proposals which required environmental clearances. HUD offices determined that, of this number, only 81 projects were major actions which warranted environmental impact statements. A CEQ official responsible for monitoring HUD's performance under NEPA told us that he believed HUD should have prepared statements for a much larger percentage of the projects.

To evaluate the effectiveness of HUD's environmental clearance process and to determine whether some other projects should have received environmental impact statement clearances, we reviewed 7 of the 253 projects. Three of the five offices approved the seven projects. Because of their sizes and types, these projects appeared to have impacts which would warrant environmental impact statements.

Each of the seven projects, according to HUD's thresholds, required a special clearance. The projects included three subdivisions, two apartment developments, a water supply facility, and an urban renewal project.

<u>Description of project</u>	<u>HUD threshold that made special clearance mandatory</u>	<u>Date of approval</u>	<u>Date and type of environmental clearance prepared</u>
C. H. Huber Enterprises, Inc. Plat 52, Section 6 124-lot subdivision near Dayton, Ohio	50 lots	Dec. 7, 1973	None
Forest Ridge Four 351-lot subdivision near Dayton, Ohio	50 lots	Sept. 30, 1972	None
Eastbrooke Meadows Subdivision 122-lot subdivision near Indianapolis, Indiana	50 lots	Feb. 6, 1973	Nov. 6, 1973 Special
Grandview Apartments 200-unit apartment development near Batavia, Ohio	100 units	Dec. 20, 1972	Dec. 4, 1972 Special
Briarwood Village Apartments 190-unit apartment development near Elkhart, Indiana	100 units	Jan. 3, 1973	Nov. 10, 1972 Special
Potomac River Water Supply project Leesburg, Virginia	Projects providing a new water treatment plant	Oct. 3, 1972	None
Dip Urban Renewal project Alexandria, Virginia	All ongoing projects approved or amended after 1-1-70	Mar. 25, 1971	Mar. 15, 1973 Special

As the table shows, the HUD field offices

--did not prepare any environmental clearances for three of the projects,

--did not prepare the required special clearance for two projects until after their approval, and

--prepared the proper clearance on time for two projects.

We asked the officials of various Federal, State, and local agencies to comment, in their areas of expertise, on the adequacy of the HUD offices' review of the environmental impacts of the four projects for which clearances were prepared. We also asked them to comment on whether each of the seven projects had environmental impacts which, in their opinion, indicated the need to prepare environmental impact statements.

Officials from these agencies told us that the environmental clearances were inadequate because

--enough information was not provided on the identified environmental impacts and the measures that could reduce the effects of such impacts,

--all potential significant impacts were not discussed, or

--the alternatives to the proposed projects were not fully discussed.

Some officials also told us that an environmental impact statement should have been prepared for each of the seven projects. They said that the impacts resulting from these projects would require environmental impact statements to insure adequate consideration for such environmental concerns as

--air and water quality;

--fish and wildlife;

--solid waste capacities;

--sewers and storm drainage capacities;

--archeological and historic sites;

- transportation in and around the project; and
- the social environment, such as schools, shopping and recreation facilities, and medical and hospital services.

Several officials told us that they seldom have the opportunity to review and comment on HUD's environmental assessments but felt they should have. We noted that, although HUD policies and procedures provide that HUD offices may consult with other Federal, State, and local agencies when preparing a normal or special clearance, HUD personnel generally do so only when they prepare an environmental impact statement.

The following examples indicate the areas of environmental concern which the HUD offices could have more fully considered in their decisionmaking process for the seven projects.

C. H. Huber Enterprises, Inc.
Section 6, 124-lot subdivision

Since 1971 HUD has approved applications for six sections (518 lots) of this subdivision development near Dayton, Ohio. Approval qualifies houses built within it to be insured under HUD's mortgage insurance program. The HUD Cincinnati insuring office processed the developer's applications for these six sections as separate projects. However, it did not prepare the required special clearance for any of the individual sections and did not analyze and assess the cumulative environmental effects of the construction of all six sections.

The 124-lot subdivision project was under construction during our fieldwork. The insuring office issued a feasibility letter--which signified HUD's approval of the project--on December 7, 1973. We discussed the project with officials of 12 Federal and State agencies which had jurisdiction or special expertise in different areas of environmental concerns. These officials reviewed available project information and in some cases conducted project site inspections. On the basis of their evaluation, officials of most agencies identified environmental impacts which they believed HUD should have identified, evaluated, and discussed. Officials of four agencies--the Environmental Protection Agency (EPA); the Bureau of Sport Fisheries and Wildlife and the Bureau of Outdoor Recreation, Department of the Interior; and the Ohio Department of Natural Resources--concluded that the impacts required an environmental impact statement.

Water quality and wildlife habitat

Federal and State agency officials expressed concern about the project's impact on water resources and believed an environmental evaluation should have discussed this. Officials of Interior's Bureau of Sport Fisheries and Wildlife and Geological Survey and the Ohio Department of Natural Resources believed the change from natural drainage patterns, the existence of shallow bedrock, and a decrease in land area available for water absorption could potentially affect erosion, water quality, and surface drainage both on and off the project site.

In addition, Bureau of Sport Fisheries and Wildlife officials expressed concern with HUD's noncompliance with the Fish and Wildlife Coordination Act (16 U.S.C. 661 et. seq. (1970)). This act states that, whenever any U.S. department or agency or any public or private agency under Federal permit or license proposes or is authorized to control or modify the waters of any stream or other body of water, such department or agency is to consult with the Department of the Interior and with the head of the agency administering the wildlife resources of the State affected.

Bureau officials said that HUD had not consulted them on this or other sections of the project. They also pointed out that development of this project resulted in three small ponds being filled in and most of the natural waterways on the project lands being replaced with a storm sewer system. They commented that, although project plans indicated that a waterfall would be maintained in its natural setting, the watercourse above the falls had been converted to a storm sewer with an outlet near the top of the falls. They said that water from this storm sewer will contain the usual array of residential pollutants--including oil, grease, and herbicides--which could potentially destroy vegetation in the falls and the area around the falls as a habitat for wildlife.

These agency officials also noted during a site inspection that substantial grading had taken place and many trees, including large ones, had been destroyed. They believed wildlife habitat suffered a loss on these project lands and that losses could have been minimized if an adequate environmental impact statement had been prepared and plans developed to reduce erosion and replace any destroyed wildlife habitat.

Historical and archeological sites

An Ohio Historical Center official told us that the project could potentially affect unlisted historical or archeological sites in the area. She said it was of major concern that projects such as this could be approved by a Federal agency without the Center having an opportunity to comment on such actions or survey the areas. She said that HUD generally does not consult the Center on such projects and, as a result, many historical and archeological sites could potentially be lost. After our discussions with Center personnel, they surveyed the project areas and observed some sites in the area where preservation would be sought.

Socioeconomic factors

Officials of EPA, Interior's Bureau of Outdoor Recreation, the Ohio Department of Economic and Community Development, and the Ohio Department of Education commented on the project's socioeconomic impact. Among the impacts they identified and which they believed HUD should have considered were such secondary developments as shopping centers and other service facilities, parks, schools, recreation, and other leisure-time facilities. An official of the Ohio Department of Education told us that the impact of construction projects has an important influence on decisionmaking at the local school level but that the school department was not requested to furnish its views on the project and its impact on the school system.

Potomac River Water Supply project

The Leesburg, Virginia, Potomac River Water Supply project consisted of (1) a water intake structure and raw-water pumping station, (2) a water filtration and treatment plant, (3) a water storage facility and pumping stations, (4) a water transmission main to the town's water distribution system, and (5) an elevated water storage tank. The project's objectives were to provide a reliable municipal water supply and enable the town to serve anticipated growth and development.

On October 3, 1972, HUD's Washington, D.C., area office told the town of its approval of a \$957,000 grant under its Water and Sewer Facilities Grant Program to help finance the project. Contrary to its procedures, the area office did not prepare a special environmental clearance for the project. A HUD area office official told us that their not having prepared the clearance was an oversight, but he believed that the proposal's environmental impacts had been adequately assessed before its approval.

We discussed the project with officials of several Federal and State agencies having jurisdiction or special expertise in different environmental areas. On the basis of their evaluation, these officials identified environmental impacts which they believed HUD should have identified, evaluated, and discussed in an environmental clearance. Officials of four agencies--CEQ; the Advisory Council on Historic Preservation; the National Park Service, Department of the Interior; and the Virginia State Water Control Board--told us that the project's potential for environmental impacts was significant enough to require an environmental impact statement.

Project's long-term impact on anticipated growth

In its grant application to HUD, Leesburg estimated that from 1972 to 2000 its population, including surrounding areas, would increase more than 650 percent--from about 6,000 to 40,000. It estimated the demand for water would increase more than 900 percent--from about 635,000 to about 5.8 million gallons a day.

The initial capacity of the proposed water filtration and treatment plant to be built as a part of the project would meet Leesburg's anticipated water needs until about the mid-1990s. Leesburg's projected water requirements for the year 2000 would be about 65 percent of the project's ultimate design capacity of 8.9 million gallons a day.

CEQ officials said that the growth to be served by the project could have a major affect on a broad range of environmental areas--such as sanitary sewage, solid waste disposal, roads, schools, water and air quality, and aesthetic environment--that would require consideration in a clearance. Also, according to these officials, growth has been controversial and debated in Loudoun County--of which Leesburg is a part--for several years. Therefore, they said that HUD should have insured that all interested parties were aware of the project and had the opportunity to comment on it.

Impact on water quality and related environmental areas

Officials of EPA, Interior's Bureau of Outdoor Recreation, and the Virginia State Water Control Board were concerned about impacts on the Potomac River's water quality. According to EPA officials, the probable dredging of the river for intake structure construction could have an adverse short-term effect on its water quality.

A Bureau of Outdoor Recreation official said that HUD should have considered the project's impacts on boating, fishing, and other recreational uses of the river, especially to those users downstream in the Washington, D.C., area who already have a critical dependence on upstream water during low-flow periods.

A Board official told us that permits have been issued for withdrawal of more water from the river than its record low flow. Therefore, a HUD environmental clearance should have considered the project's effects on fish, downstream users, and the river's water quality.

Historic and archeological concerns

The National Register of Historic Places has listed the Leesburg district since February 1971. The National Historic Preservation Act of 1966 (16 U.S.C. 470 et seq. (1970), as amended (Supp. III, 1973)) requires that the President's Advisory Council on Historic Preservation be allowed to comment, before approval, on federally assisted projects affecting properties on the National Register. HUD had not considered the water project's impact on the district because personnel responsible for preparing the clearance told us that they were not aware of the district's existence. Council officials told us HUD should have considered the impact of the town's anticipated growth on the historic district.

A National Park Service official agreed, adding that HUD should have discussed the safeguards to be taken against the destruction of important archeological sites which could possibly be discovered during project construction.

Project alternatives

The town's grant application indicated to HUD that the town had discussed and found unacceptable several alternatives to the proposed project. HUD did not independently consider any of the alternatives in approving the project.

As one alternative, Leesburg might have obtained additional water from the city of Fairfax, Virginia, under an April 23, 1956, agreement between the towns. Although Leesburg has never used this agreement, it does not have a maximum quantity limit or expiration date. Also, it provides that the water be supplied to Leesburg at its cost to Fairfax. A Virginia State Water Control Board official said he would have supported the alternative, had he been aware of it and given an opportunity to comment on the project.

In an August 7, 1974, letter to the Secretary of HUD, we stated that the responsible HUD field office had not prepared an environmental clearance for the project and recommended that he require that office to prepare the required special clearance. Preparation of this clearance could determine whether the project would require an environmental impact statement. We further recommended that, if HUD determined that an environmental impact statement was required, further processing of the grant be delayed until the statement had been circulated for comment to all interested Federal, State, and local agencies.

The area office's special clearance for the project, completed on December 18, 1974, determined that the project would have no significant environmental impact and that an environmental impact statement was not necessary. Area office officials told us that, after the special clearance was completed, the town decided to reduce the proposed project's scope because the cost had increased so much in recent years. They said the town

- had proposed to eliminate constructing the 1.5-million gallon a day water treatment plant on the Potomac River and most of the project's other major components,
- was planning to construct a 1.5-million gallon elevated water storage tank and a transmission line between the tank and the town's existing distribution system, and
- would request HUD's approval to use the \$957,000 grant for these items, which are estimated to cost about \$2 million.

These officials said the amended project was aimed at providing a short-term solution to the town's present water supply deficit. According to them, the town is studying other ways of meeting its long-range water supply needs. If HUD adopts the town's proposal, the concerns we and other agencies raised on the original project proposal would no longer be pertinent because of the project's reduced scope.

CHAPTER 3

INADEQUACY OF HUD-PREPARED
ENVIRONMENTAL IMPACT STATEMENTS

From enactment of NEPA on January 1, 1970, through June 30, 1974, HUD offices had prepared 81 environmental impact statements. We reviewed seven of the statements and determined that they generally were of limited usefulness to the HUD offices' planning and decisionmaking process.

- All lacked information and detail showing that the proposed project's environmental impacts had been adequately analyzed.
- None identified and adequately discussed all significant environmental impacts resulting from or affecting the proposed project.
- Six did not contain satisfactory responses to reviewing agencies' comments on the draft statements.
- Six did not adequately identify, examine, and present for review and comment alternatives to the proposed projects.
- Five were not prepared before the projects' approvals.

Officials of several agencies and private groups which commented on the statements told us that the statements generally appeared to be only justifications for HUD's decisions to sponsor the projects and were not objective and meaningful evaluations of the projects' environmental impacts.

The number of statements HUD prepared, by program, follows.

<u>Program</u>	<u>Number of statements</u>
Urban renewal	36
Housing projects	22
New communities	17
Community development (other than urban renewal)	<u>6</u>
Total	<u>81</u>

The seven environmental impact statements which we examined were:

<u>Project</u>	<u>Location</u>	<u>Type of project</u>
Parkway Plaza Neighborhood Development Program	Napa, Calif.	Urban renewal
City Center project	Oakland, Calif.	Urban renewal
Historic Hill urban renewal area	Newport, R.I.	Urban renewal
Harpers Square Apartments	Virginia Beach, Va.	Multifamily housing
Chatham West I	Brockton, Mass.	Multifamily housing
Bergstrom Arms Apartments	Austin, Tex.	Multifamily housing
Newfields	Dayton, Ohio	New community

We selected these statements for review because they (1) were prepared by an area or insuring office under the jurisdiction of different HUD regional offices, (2) represented recent efforts of the offices, and (3) covered projects proposed under different HUD programs. The Newfields' statement was prepared in HUD's central office; the remaining six statements were prepared in HUD field offices under the jurisdiction of HUD's Boston, Philadelphia, Dallas, and San Francisco regional offices.

The following two examples show the types of inadequacies in the environmental impact statements HUD prepared for the seven projects.

BERGSTROM ARMS APARTMENTS

The Bergstrom Arms Apartments is a 98-unit multifamily housing project adjacent to the main entrance to Bergstrom Air Force Base near Austin. This project was constructed under HUD's section 236 housing program, which provides interest reduction payments for project sponsors.

Our review of the draft and final environmental impact statements for this project identified weaknesses and inadequacies in the preparation, review, and followup of actions taken during HUD's environmental clearance process.

HUD's statements inadequately considered and discussed the existing environmental factors' impact on the project, the project's impact on the existing environment, and the consideration of alternatives.

Existing environment's impacts on the project

Noise pollution

The major environmental concern HUD discussed in the draft and final impact statements was a noise problem caused by aircraft at Bergstrom Air Force Base and traffic from State Route 71, which is a divided highway. The traffic noise is accentuated near the project site because trucks shift gears while pulling the grade over a nearby overpass.

The statements did not discuss the fact that aircraft fly directly over the project. During a 3-hour site visit, we saw 10 jet aircraft flying directly over the project area at a low altitude. School officials told us that, ever since jet aircraft began to use Bergstrom, aircraft noise has been a problem at the schools. Teachers have had to stop their lectures until the aircraft fly over; one official said conversation outside the school was impossible during flyovers.

HUD Circular 1390.2 classified as normally unacceptable for new construction any site where general external noise exposures exceed 65 decibels for 8 hours during any 24-hour period. The impact statements disclosed that noise measurements made on the site every 15 minutes over a 24-hour period indicated that traffic and other nonaircraft noises exceeded 65 decibels approximately 35 percent of the time. To mitigate this problem, the statements contained a list of several noise attenuation features which HUD was going to require the project sponsor to provide as a condition to project approval.

After reviewing the draft statement, EPA and the Texas Executive Department's Division of Planning Coordination recommended more stringent noise attenuation features for the project. The Texas Air Control Board recommended that the project be rejected because of the noise problem, and the Texas State Department of Health recommended " * * * that further study be given to the impact of the high levels of noise experienced in the proposed area." The State Department of Health commented that

"Health problems from annoyance or interference with rest and relaxation for the inhabitants of the proposed dwellings is quite significant. Should construction proceed as planned, adequate noise insulation and architectural design characteristics need to be provided for the required attenuation of ambient noises to assure an acceptable level."

HUD did not adequately respond to these comments in the final statement.

Since the project was near completion, we visited the site and found that the required noise attenuation features were not being installed. According to an official of HUD's San Antonio area office, the features were dropped because their benefits did not justify the additional construction cost. HUD's Regional Environmental and Standards officer said the regional office was unaware of the area office's action, even though regional approval was required because of the site's noise levels.

Odor

The statements did not disclose that a waste treatment facility about 1,600 feet from the project site included about 200 acres of open sewage-holding ponds. In commenting on the draft statement, Interior and Agriculture officials, as well as officials of the Office of Community and Environmental Standards, CPD, recommended that more information be provided for minimizing the effects of the odor problem or that an indepth analysis of the problem be conducted. The Texas Air Control Board also listed the odor problem as one of the reasons it did not recommend construction of the project. However, the final statement did not contain any additional information nor did it show that HUD evaluated the problem any further.

Several individuals told us that odor from the facility was often noticeable and had seemed to worsen in the past few years.

Project's impacts on the existing environment

Schools

The draft and final statements did not adequately assess or discuss the project's impact on the area's school enrollment. We found that the project would have some effect on the area schools, in that:

- The number of pupils in each elementary school classroom exceeded State board of education standards even before the project was built.
- Taxpayers had defeated a school bond issue to finance a new high school. This severely affected the planned expansion in the school district.
- Three rooms at one school which had been used for counseling, remedial reading, and a playroom for kindergarten children on rainy days would have to be converted to classrooms to absorb students from the proposed project.

Other impacts

The statements did not adequately discuss the effect the project would have on such areas as traffic congestion; air quality; and present and planned capacities of solid waste, sewer, and water facilities. A Federal Highway Administration official said traffic in and out of the project would adversely affect the traffic flow at the interchange off Texas State Route 71. He said the interchange was poorly designed and was subject to severe traffic problems even before the project was built. The acting Director of the Office of Community and Environmental Standards, CPD, in commenting on the draft statement, said

"* * * Some mention, however brief, should be accorded to other environmental concerns such as infrastructure, air quality, and water quality, so as to indicate that these areas were considered in HUD's evaluation. * * *"

However, the final statement did not include additional discussion of these areas.

Inadequate consideration of alternatives

Although the draft statement discussed alternative uses of the project site, it did not discuss locating the project elsewhere. Although the Office of Community and Environmental Standards, CPD; the Department of the Interior; and the Texas Air Control Board commented on this matter, the final statement did not indicate that HUD considered any alternative project locations.

Overall agency comments on the statements

An EPA official told us that, on the basis of EPA's current standards for review of impact statements and projects,

the HUD statements would be rated inadequate due to lack of information and the project would be considered environmentally unsatisfactory.

The Department of the Interior commented:

"A problem with many environmental impact statements is the tendency for them to be description-justification statements rather than impartial examinations of environmental consequences. This impact statement seems to be oriented toward this end."

Officials from the Federal Highway Administration and the Department of Health, Education, and Welfare also told us that the draft statement did not contain enough detailed information to enable them to conduct a meaningful review.

EPA and Texas Air Control Board officials said they were unable to determine whether HUD actually considered their comments from the way it responded to them in the final statement. The Board officials said they felt it had been a waste of their time to review and comment on the statement.

Officials from the Department of the Interior and the city of Austin expressed disappointment that HUD issued its final statement before receiving their comments. HUD never acknowledged Interior's written request for additional time in which to comment on the draft.

HARPERS SQUARE APARTMENTS

The Harpers Square Apartments is a 400-unit multifamily project near the Oceana Naval Air Station in Virginia Beach, Virginia. It was approved under HUD's section 236 housing program, but, contrary to HUD policies and procedures, an environmental clearance was not prepared before the project's approval. However, before the developer had started construction, the HUD Richmond area office learned that the site might be adversely affected by noise from the naval air station and determined that an environmental impact statement should be prepared. The office distributed its draft statement on the project to other agencies for their review and comment 1 year after the project had been approved; it distributed the final statement almost 2 years after the project had been approved.

To help us evaluate the draft and final statements, we discussed them with four agencies which had commented on the draft statement--Department of Commerce, EPA, the city of

Virginia Beach, and the Southeastern Virginia Planning District Commission. Officials of these agencies stated that the final statement did not adequately discuss several environmental areas which either affected the project or were affected by the project. They also believed that the statement did not fully consider alternatives to the project.

Noise impact on the project

The project site is within Composite Noise Rating Zone 2, adjacent to Composite Noise Rating Zone 3. HUD's policy is that approval of sites in zone 2 is "discretionary--normally unacceptable" and approval of sites in zone 3 is "unacceptable" for housing. Officials of the four agencies were concerned about the adverse environmental impact of noise on the project, particularly because of the site's closeness to zone 3.

The Planning Commission and EPA said that HUD should have more thoroughly analyzed the effect of noise on residents' normal outdoor activities, such as children's play. EPA officials said that children are more sensitive to loud noises and, therefore, more susceptible to permanent hearing impairments. HUD's final statement said no obvious solution existed to the problems of outdoor noise. In our opinion, HUD overlooked the obvious solution--not approving the project for construction at the site until the problem's significance was determined.

Planning Commission officials cited studies which had shown that a canopy of evergreen trees could reduce overhead jet aircraft noise by as much as 50 percent. They recognized that such a canopy would be costly but stated that HUD's draft statement could have provided such information to give others a better basis to comment on the project.

In commenting on the draft statement, the Department of Commerce, the Planning Commission, and the city asked that HUD give more attention to insuring that the proposed construction methods and materials would be adequate to reduce the exterior noise to an acceptable level for residents when indoors. Planning Commission officials said, for example, that an obvious deficiency of the draft statement was the omission of the HUD acoustical engineers' complete evaluation of the noise situation. They questioned whether HUD had tested constructed units of like design and materials in the same noise zone to determine actual results.

In the final statement, HUD responded that acoustical ratings calculated for the construction materials and project techniques had been developed after much research and were considered accurate indicators of expected noise attenuation. Officials of Commerce, the Planning Commission, and the city said HUD should have obtained more reliable support; they were not satisfied that the residents would not be subjected to unacceptable noise levels indoors.

Incentive for the project to promote further residential development

The draft and final statements recognized that the proposed project might encourage further moderate- to high-density multifamily residential development in an area which may not be the best alternative because it is in a normally unacceptable noise zone. However, the statement added that:

- The zoning of the site permitted construction of the project, although it conflicted with the Planning Commission's and the city's development plans for the area.
- There was evidence of continuing moderate-density expansion in and near the area.
- The Hampton Roads Sanitation District Commission proposed constructing a 42-inch sewerage main a few miles from the project site, which could attract further development to the area.
- The Southeastern Virginia Regional Transportation Plan calls for the construction, within the decade, of a four-lane highway near the proposed project site, which would also increase the likelihood of additional residential development.

Officials of the four agencies disagreed with HUD's justifications for its approval of the project. City officials said zoning did not constitute an overriding approval of a site for a particular use. The weight which HUD gave to the site's construction zoning was, in the officials' opinion, inappropriate because of the noise problem. Planning Commission officials reaffirmed their draft statement position that the purpose of the proposed sewerage main and four-lane highway scheduled to pass near the Harpers Square site was to alleviate existing unhealthy and unsafe circumstances, not to promote new residential construction.

They said that the approval of this precedent-setting project would more likely contribute to further residential construction in zone 2 than the proposed sewers and highways.

EPA officials said construction of 600 Navy housing units nearby would not appear to justify the construction of this project in a noise-impacted area. They said HUD had not adequately discussed solutions to the planning problems, particularly the adequacy of schools and water supply. The officials believed HUD was incorrect in assuming that land in the vicinity of the project would be developed with or without its approval of the project.

Commerce, taking a position similar to EPA's, stated that:

"* * * The argument that the project land will inevitably be developed by the private sector and that this project is preferable to that, in spite of its adverse effects, is the antithesis of N.E.P.A. Any private development is subject to the laws of the State in which it is built, including any environmental quality laws. Projects built with Federal participation are subject to the spirit and intent of N.E.P.A."

HUD did not discuss this matter further in its final statement.

Project's impact on the area's storm drainage system

The draft statement identified the worsening of an existing problem of the neighborhood's storm drainage system as a potential adverse environmental impact of the project.

The city stated that the additional runoff created by construction of this project and others in the area would eventually drain into waters that had a history of flooding. The Planning Commission stated that, because few problems existed with drainage of the project site when it was a cornfield, it could not be assumed that there would be no drainage problems after construction of the multifamily housing units. It said that opening the ditch adjacent to the site, as proposed by the developer, would not insure that the ditch would be free running unless some system for the area's drainage was devised.

Planning Commission officials said that the final statement inadequately treated the potential problem because

it provided additional information only on the site's drainage system. They said that construction developments, such as apartment complexes, have proved to add to the overloading of drainage ditches and that individual developers were primarily concerned with getting storm drainage off their sites. As a result, some roads in Virginia Beach sometimes become impassable during thunderstorms because these drainage ditches overflow. They said that, to fully disclose the situation, HUD should have studied the extent to which construction of the project could have added to area storm runoff problems.

Inadequate consideration of alternatives

The statements discussed alternative site uses, sites, construction materials, and types of housing units. The agencies requested to comment on the proposed project did question the need for the type and number of housing units which the project proposed to provide.

The statements indicated that Navy officials and the developer, after considering several alternative sites, selected the project site because it (1) was the closest to the base and its facilities, (2) was on the regular base bus transportation route, (3) seemed topographically suited to a housing development, and (4) would have relatively few problems connecting with sewerlines and waterlines.

Officials of the four agencies expressed the belief that HUD's inadequate consideration of alternative sites was a major weakness in the statement. Planning Commission and city officials said that a large amount of undeveloped land in the Virginia Beach area was not in high noise zones and that the range of sites that the Navy and the developer considered as alternatives was too limited. Officials of both these local agencies told us that any site in the city would be reachable in the 1-hour commuting time Navy criteria permitted.

HUD's final statement said that a cost/benefit analysis for the project, as requested by commenting agencies, would be practically impossible because virtually none of the project's advantages and disadvantages could be assigned dollar values. HUD stated that, for example, the major adverse environmental impact on the project would be project residents' exposure to noise and the major benefit would be the supplying of needed moderately priced rental units for enlisted military personnel.

Officials of Commerce, the Planning Commission, and the city said that the need for housing could be conceded in any cost/benefit analysis. However, they said that, as

a minimum, a comparison could have been made of the costs of constructing the project on sites where special measures would or would not be necessary to attenuate the noise impact on residents.

In the final statement, HUD said

"In the development process as it operates today, there are virtually no alternatives except the areas submitted to HUD by developers. * * *

"Although individual parcels may be feasible alternatives, there is no indication that their owners are prepared to put the land on the market at this particular time or that the price of development will be low enough to meet the cost limitations set on '236' projects by HUD."

We believe that, in taking such a position, HUD was not properly considering all alternatives to a project proposal as required by NEPA. The position does not justify approval of sites that may have adverse environmental impacts and does not encourage developers to offer more suitable sites.

Overall agency comments

Officials of Commerce, EPA, the Planning Commission, and the city stated that HUD's draft statement discussion of some areas of environmental concern was not detailed enough to provide a reasonable basis for them to comment. Further, they expressed dissatisfaction with HUD's response to and treatment of some of their comments on the draft statement. Commerce and Planning Commission officials, after reviewing the draft statement, concluded that the adverse impacts outweighed the beneficial ones. After we discussed the final statement with the officials, they said that HUD had not added enough additional information to change their position. The officials added that the draft and final statements lacked objectivity and appeared to have been prepared to justify approval of the project.

CHAPTER 4

FACTORS CONTRIBUTING TO HUD'S PROBLEMS IN IMPLEMENTING NEPA

HUD's inadequacies in applying NEPA requirements and intent to projects proposed for its approval resulted from several factors, principally the failure of top management to place high priority on effectively implementing HUD's environmental function. This lack of emphasis and concern pervaded HUD's organization, as exemplified by the inadequate training and guidance given to, and the qualifications of, the HUD staff making the clearances.

LACK OF PRIORITY AND EMPHASIS

HUD's lack of priority and emphasis on environmental matters was evident from our discussions with area and insuring office personnel who were responsible for preparing the clearances. Some were uncertain of the benefits to be derived from applying the requirements of NEPA to HUD programs. They said that, if a project had the beneficial impact of providing a decent home and suitable living environment--HUD's major goal--this would normally outweigh any adverse environmental impacts.

They also told us that the environmental clearance process conflicted with HUD's program priorities, which are oriented toward and emphasize accelerated project approval. They were concerned that HUD would lose the opportunity to sponsor projects if the approval of applicants' plans was delayed because of the time required to prepare environmental clearances. This would be especially the case, they said, if HUD determined that an environmental impact statement should be prepared and circulated to other agencies. If HUD delayed the processing of developers' applications, the developers would submit their proposals to other Federal agencies or commercial lending institutions which give less attention to environmental impacts of proposed projects. According to them, the environmental clearance function had been added to their normal program duties without a clear indication of its priority.

Another indication of HUD's lack of emphasis is the organizational level at which HUD has placed the environmental clearance function. In October 1971 the Secretary of HUD placed the responsibility for coordinating and administering HUD's overall efforts to implement NEPA at an assistant secretary level. The Assistant Secretary for

CPD was made responsible for administering and monitoring a program for assessing the environmental impacts of (1) projects proposed under primary HUD programs administered by other assistant secretaries or comparable officials on the same organizational level and (2) projects proposed under primary HUD programs for which he is also responsible.

Other HUD assistant secretaries, or comparable officials, are responsible for administering such HUD programs as assistance to local housing authorities to provide low-rent public housing; mortgage insurance on one-to-four family structures in HUD-approved subdivisions; mortgage insurance and/or interest supplement payments on behalf of developers of multifamily housing structures; and loan guarantees for developers of new communities.

If a situation arises where these other officials have a different interpretation of whether the project could adversely affect the environment, the assistant secretary might encounter difficulty in convincing his counterpart to prepare, for example, an environmental impact statement for the project.

The Assistant Secretary for CPD also is responsible for (1) insuring that projects assisted under HUD's community development and planning assistance programs are subject to adequate environmental assessments and (2) periodically evaluating HUD's progress and performance in implementing NEPA. Such an evaluation would require the assistant secretary to assess his own performance, and the evaluation might not be fully independent.

Although HUD guidelines have required since 1971 that the HUD central office make periodic formal evaluations of HUD's progress and performance in implementing NEPA, only one had been made. In late 1973 the Evaluation Division, Office of Policy Planning, CPD, reviewed the environmental clearance activities at 40 HUD field offices. A draft report was completed in March 1974, but the Assistant Secretary for CPD told us in May 1975 that he did not plan to officially issue the report.

An official of the Office of Environmental Quality told us HUD central office's evaluation of field office activities had been limited essentially to reviewing and commenting on some environmental impact statements prepared by HUD offices.

INADEQUATE GUIDANCE

The Assistant Secretary for CPD had not given HUD offices timely and specific guidance on preparing environmental clearances.

The Secretary of HUD issued the initial department statement of responsibilities and interim procedures for implementing NEPA on June 19, 1970. The Deputy Under Secretary, who was responsible for the department's efforts to implement NEPA until October 20, 1971, issued several draft guidelines to HUD field offices from October 1970 to July 1971. The transmittal letters said that HUD offices were to follow the guidelines informally. The Assistant Secretary of CPD issued final guidelines for preparing clearances in July 1973--3-1/2 years after NEPA was enacted.

Some HUD field office personnel said they were never certain of how much effort they were expected to devote to implementing the draft guidelines and that they were uncertain of their responsibility for adhering to them. They also said that the time lapse between NEPA's enactment and HUD's issuing the final guidelines indicated that HUD top management was not fully committed to implementing NEPA.

The final guidelines issued in July 1973 generally outlined the environmental information to be obtained from project applicants or independently by HUD offices from other sources. However, adequate criteria or methods for assessing the significance of information, other than that on noise, concerning the project's environmental impacts were not provided.

In May 1973 the Office of Community and Environmental Standards completed its "Environmental Evaluations For Project Level Actions" guide to assist HUD personnel in conducting environmental assessments. The guide was revised and printed in September 1974 for distribution to HUD personnel, State and local agencies, and citizen's groups interested in assessing the environmental soundness of project proposals.

The guide, although not a formally approved departmental policy statement, discussed ways of quantitatively presenting information on various areas of potential environmental concern associated with a proposal, such as schools, air quality, and sewage treatment. For example, the guide stated that, for a sewage treatment facility, the reviewer should obtain information on (1) the percent of current capacity being used, (2) the increased demand which the

project will place on the facility, and (3) any plans or needs for an expanded facility.

The guide stated, however, that there was no firm guidance on how to combine or trade off the various factors--such as the overload of the sewage treatment facility serving the project against the need for housing--in formulating a quantitative evaluation of whether a project's adverse impact on the environment outweighed its beneficial impacts. It stated that HUD personnel would often be required to make a professional judgment on such matters because precise standards did not exist for assessing the significance of all individual environmental areas. The guide suggested that HUD personnel consider three general items:

- National and community environmental goals, policies, and specific plans and programs and how the project's impact may affect the achievement of such goals.
- National and community social goals, such as HUD's special concern for low- and moderate-income groups.
- The scarcity or uniqueness of any environmental resources affected--for example, the destruction of parkland in an area with no replacement land.

HUD needs to prepare more specific criteria to help the HUD clearance officials make more objective decisions on how to consider the information they obtain in determining whether a proposed project should be subjected to a higher level clearance or should be modified or rejected.

HUD policies and procedures required that an environmental impact statement be prepared for projects proposed in discretionary or unacceptable noise zones. Noise is the only environmental factor for which HUD has set up specific significance criteria. HUD's noise standards require that the level and intensity of the noise from such sources as aircraft, railways, and roadways be measured at a site and that, if the noise exposure exceeds acceptable levels, the project normally should not be approved. Significance criteria for the other areas of environmental concern would give HUD personnel needed guidance for making more meaningful assessments of project proposals' environmental impacts. In the example of a project affecting a sewage treatment facility, if the clearance officer determined that the proposed project would reduce the uncommitted capacity of the facility or result in or add to an overload, he would not have to rely on his judgment on whether to seek the advice of other Federal agencies; prepare a higher level of clearance; or approve, modify, or reject the proposed project.

In June 1973 HUD contracted with a consulting firm for developing improved criteria and procedures to assist HUD personnel in assessing the significance of proposed projects' environmental impacts. The contractor developed an interim environmental assessment manual which was being tested in January 1975 in each HUD regional office and selected area offices to evaluate its completeness and useability.

HUD PERSONNEL NOT ADEQUATELY
TRAINED AND QUALIFIED

Most HUD clearance personnel had received little training in preparing environmental clearances, and the field offices did not have some disciplines in-house necessary to provide an interdisciplinary approach in preparing the clearances. Further, HUD field office personnel did not systematically seek from other Federal agencies the special expertise necessary to provide such an approach.

HUD guidelines state that each HUD organizational level must provide sufficient qualified personnel to prepare environmental clearances. The guidelines also require the regional, area, or insuring office environmental clearance officers to train the area and insuring office personnel on preparing clearances.

HUD told us that it had conducted numerous environmental training sessions since passage of the act. A major session was conducted in April and May 1974 which consisted of a 3-day seminar conducted for HUD central office officials; area and insuring offices' environmental clearance officers; area offices' operations division directors; and regional environmental and standards officers. Program staffs from the area and insuring offices, who prepared the environmental clearances, did not attend the training.

An official of HUD's Office of Environmental Quality told us that HUD regional offices also conducted training for area and insuring office program staff. For example, HUD's Philadelphia regional office held a 2-day session at three different regional locations. Training usually included detailed attention to HUD environmental and noise policies and evaluation methods. He said some regional offices held sessions on specific environmental areas, such as noise.

The regional environmental and standards officer in Philadelphia told us that he had no immediate plans for conducting additional training and would rely on requests from area and insuring office staffs to tell him of their

training needs. He said that those offices would be told of seminars to be held by other Federal agencies on environmental areas.

Area and insuring office personnel told us that the training they attended was not specific enough to offer them much assistance in preparing the clearances. Some field personnel told us that they were not certain what was expected of them in preparing normal clearances and that they were especially concerned with what would be expected of them if they had to prepare a special clearance or an environmental impact statement.

NEPA provides that Federal agencies use an interdisciplinary approach in assessing the environmental impacts of their proposed projects. Although HUD clearance personnel in the offices we visited had a wide range of education and backgrounds, they did not have all the expertise needed to conduct adequate interdisciplinary clearances. For example, in one area office 9 of 11 program staff involved in the clearance process had college degrees with educational backgrounds in such areas as urban planning, political science, history, government, and economics. The other two had real estate experience. Most had no prior work experience that gave them any special skill for preparing environmental clearances. In one insuring office, 3 of the 5 program officials had college degrees in economics and psychology, business administration, and education. The other two were high school graduates. The five individuals' work experience was primarily in real estate financing, mortgage underwriting, and appraising.

Some field officials acknowledged that their offices lacked the necessary disciplines in-house in such areas of environmental concern as air, water, plants and wildlife, soil, and geology. These disciplines are available in other Federal or state agencies. As pointed out in chapter 2, HUD generally did not consult with these agencies. Officials of Federal agencies told us that they generally had the opportunity to comment on only those projects for which HUD offices prepared environmental impact statements.

CHAPTER 5

CONCLUSIONS, AGENCY COMMENTS AND OUR EVALUATION, AND RECOMMENDATIONS

CONCLUSIONS

In the 5 years since NEPA's enactment, HUD has not developed and implemented an adequate program for assessing the environmental impacts of projects proposed for its approval. We believe that HUD will continue to experience limited compliance with the requirements and intent of NEPA until top management places higher priority on applying NEPA requirements to HUD projects. One way of providing more emphasis to NEPA would be to elevate the responsibility for implementing NEPA to a higher and more independent level within HUD's organizational structure.

The environmental clearance function would be further improved if HUD provided its staff with proper training and made better use of other Federal and State agencies having expertise in environmental areas.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on our report (see app. I), HUD questioned the scope and methodology of our review and indicated that the conclusions reached were not valid, current, or representative of the situation at HUD. HUD generally disagreed with our proposals for corrective action necessary to strengthen the implementation of NEPA.

We believe that our report fairly presents the problems HUD offices are having assessing the environmental impacts of project proposals. Although HUD has taken some actions and has other actions under development which are directed toward improving its offices' performance of the environmental function, HUD cannot be assured that the problems shown by our review have been or will be solved without further attention.

An internal HUD evaluation of its offices' environmental assessment activities disclosed problems similar to those included in our report and concluded that similar corrective actions were needed. This HUD evaluation is discussed in greater detail on pages 47 and 48.

Validity, currency, and representativeness
of projects reviewed

HUD stated that our report had not established any case for believing that the projects included in our sample were representative of the 30,000 or so project proposals HUD considered from January 1, 1970, through June 30, 1974. HUD said that our report did not mention the method for selecting projects for review and that the sampling and conclusions of the report appeared to be drawn from projects HUD considered in the 1971-72 period when Federal agencies were establishing procedures for dealing with the new environmental concerns. HUD stated that we may have picked the seven projects for in depth review because they obviously were problem cases which were not likely to be representative of its offices' 1974 or 1975 performance. HUD further stated that few, if any, projects appeared to be drawn from recent years or months and that this was important because HUD has been training personnel and revising procedures as initial defects in approach have been identified.

Projects reviewed

From July 1, 1972, through December 31, 1973, HUD field offices considered the 253 project actions we reviewed. We examined 100 percent of all project actions that were processed through an environmental decision point (as defined in HUD guidelines) at three of the five field offices we visited. At two offices, we examined 89 percent and 61 percent of the projects processed during the period covered by our review. At the office where we reviewed 61 percent of the projects, all project actions for subdivision, multifamily, nursing homes, and public housing projects were reviewed.

The seven projects evaluated in depth to determine the adequacy of their clearances included (1) projects from different HUD programs--three subdivision projects, two multifamily projects, one water and sewer project, and one urban renewal project, (2) projects whose size or type indicated a potential for having a significant effect on the environment, and (3) projects whose construction was being planned or was underway at the time of our field work.

The seven environmental impact statements we reviewed were generally the most recently completed of the 81 final statements that HUD had prepared at the time of our selection. They were selected to provide coverage to a cross section of HUD programs and HUD offices. Personnel of area or insuring offices, under the jurisdiction of four HUD

regional offices, and of the HUD central office prepared the statements. The final statements for these projects were prepared between October 12, 1972, and July 5, 1974.

Training and procedural changes

HUD could offer us no firm basis for its position that the training provided and changes made in its procedures have resulted in major improvement in its offices' performance. HUD central office officials told us that there had been no review made of the performance of HUD offices since our review. Therefore, HUD cannot be assured that projects processed in 1975 received better environmental assessments than those projects included in our review.

As discussed in other sections of this report, HUD personnel--who were principally responsible for preparing clearances--told us as late as August 1974 that the training they attended was not specific enough to offer much assistance in preparing clearances. HUD stated in its comments that training had received greater emphasis in the past year and would be further emphasized in the future.

Since our review, HUD has not conducted any major training sessions that could have effected any major improvement in HUD personnel's performance of environmental assessments. Information HUD furnished us with its comments showed that the central office has participated in training sessions in three different regional offices since completing our field work to provide training to the field staffs on basic environmental policies and procedures. This training was essentially the same as that which HUD has been providing to its field staffs since 1970. In addition, 1-day meetings had been held in 8 of HUD's 10 regions to familiarize the regional and area office personnel with the draft environmental assessment guidance manual being developed under contract. HUD central office officials told us that the field personnel's reactions to these 1-day sessions on the draft manual were mixed--some expressed concern over the complexity of the material while others believed it offered the right approach to the problem. When the guidance manual is finalized, HUD will be required to devote additional attention to insuring its proper understanding and use by those who must use it in making environmental assessments.

HUD stated that changes were made to its environmental procedures as defects in approach were identified. As an example, HUD referred to a November 1974 revision to a HUD handbook which established new procedures for making environmental assessments for insured housing, subdivisions,

and low rent housing projects proposed to HUD's Office of Housing Production and Mortgage Credit. HUD said the new procedures made fundamental changes because they completely integrated the environmental review into the regular program processing, thereby precluding many of the omissions, late reviews, and incomplete reviews cited in our report.

HUD cannot be assured that the November 1974 procedural change will be adopted and used effectively by HUD personnel to preclude the deficiencies shown by our review. Shifting the responsibility of preparing the clearances from the program personnel to appraiser, as done by the change, provides no guarantee of improvements in HUD's field offices' performance of environmental assessments because the appraisers are no better qualified than program personnel for performing the function. Further, the revised procedures eliminate the requirement that applicants submit information on the environmental impacts associated with projects proposed to HUD offices, except generally when HUD personnel cannot obtain such information. Although the procedures require that interdisciplinary assistance be sought from other HUD staff as needed, they place a heavier burden on the appraisers who must now gather all information needed for their assessment of a project's environmental impact.

Validity of using other agencies in evaluating HUD's environmental assessments

HUD said that another weakness of our report concerned the validity of criticisms of project decisions which are judgmental and require trading off environmental values against other equally important values. HUD further said that there will always be critics who do not concur with the compromise position and indicated that citing critical external agencies based on "anonymous experts" and unstated criticisms superficially undermined confidence in HUD decisions. According to HUD, our approach did not establish the superiority of the anonymous critics' point of view over the HUD decisionmakers. HUD said that in some instances the unknown experts who were selected to comment on the seven projects seemed to comment on areas outside their areas of expertise and that the legitimacy of their comments was questionable because little was known about their backgrounds.

We did not question the decisions HUD offices made on the projects included in our review. Rather, we questioned the adequacy of the environmental assessments HUD used in making decisions to approve projects.

Other agencies' officials who assisted us in this review are responsible officials of Federal, State, and local agencies who have the jurisdiction by law or special expertise for normally reviewing and commenting on the environmental impacts of HUD project proposals for which an environmental statement is prepared.

HUD's position on the need for more
environmental impact statements

HUD's general attitude toward the environmental impact statement process required by NEPA causes us some concern. In its comments, HUD stated that:

"On a more general level, HUD rejects the premise fervently held in some quarters that the conscientiousness of environmental protection can be measured by the number of * * * environmental impact statements (EIS's) produced by an agency. HUD has limited manpower for its workload, and we consider an EIS in association with a project proposal that ultimately will be rejected to be a waste of that scarce manpower. We prefer to disapprove the environmentally unsound projects well before they reach the EIS stage, or to have modified them along environmentally acceptable lines to carry out the spirit of NEPA without an EIS review. This general position, of course, does not relieve HUD field personnel of their obligations to perform timely, searching 'normal' and 'special' environmental clearances on all projects.

"Finally, experience has taught us that some critics in society demand EIS statements under conditions which have little or no relation to the spirit of NEPA. Certain groups have tried to use it to keep low and moderate income housing away from their neighborhoods. Other groups would attempt to use the EIS device as a means of protecting the sanctity of nature absolutely against the needs for human habitation by a growing population. Still other groups would try to use the EIS as a costly stall that will prevent developers from bringing change or renewal to their communities. HUD has had to wrestle with these many pressures from special interests. From time to time HUD has declined to write EIS statements, and it has been upheld by the courts. Again this is a matter for perceptive judgment in balancing off opposing forces which try to influence project outcomes, rather than a mechanical application of the EIS review."

HUD's view on the use of an environmental impact statement is not consistent with the spirit and intent of NEPA and is one of the factors contributing to the weaknesses noted in HUD's environmental clearance process. HUD's position strongly implies that it believes--even before it knows all the facts which NEPA requires it to obtain--that the projects it has determined should receive an environmental impact statement are environmentally sound. It implies that if critics raise questions or suggestions that the project be rejected or modified, that these questions or criticisms can be discounted because the HUD decisions are superior to these critics. This philosophy was clearly evident on the environmental impact statements we reviewed. As we point out on page 20, agencies reviewing HUD's impact statements believed the statements were not objective and were prepared to justify a decision that had already been made.

HUD's response to GAO's proposals for corrective actions

In our report, we proposed several actions to the Secretary of HUD to effect improvements in HUD's implementation of NEPA. HUD generally disagreed with each proposal, contending that its environmental efforts are adequate and need no further improvements.

Elevating the organizational level of the environmental function

HUD disagreed with our proposal that the Secretary of HUD elevate the environmental function to the highest practical independent level within HUD, preferably to the secretary or under secretary level. HUD stated that most of HUD-assisted planning and community development activities--other than housing construction and management--are grouped under the Assistant Secretary for CPD. HUD also stated that, since HUD has few assistant secretaries, the major concern, with respect to environmental functions, is not of coordinating the efforts of many units but that of working closely as a team leader. In HUD's view, it is logical for the Assistant Secretary for CPD to be responsible for HUD's environmental activities because he also is responsible for other functions which cut across HUD organizational units. Finally, HUD said that the under secretary or the secretary can settle any unlikely impasse resulting from another assistant secretary not wanting to carry out HUD's regulations as interpreted by the Assistant Secretary for CPD.

Leaving the responsibility for HUD's environmental function with the Assistant Secretary for CPD does not deal with two important problems we identified. First, some HUD field personnel responsible for preparing the environmental assessments believed that HUD top management had not given the environmental clearance function enough priority and emphasis. One way to demonstrate a desire to give priority and emphasis to the function would be to elevate it to a higher and independent level.

A second problem is that, as currently organized, the Assistant Secretary for CPD is charged with assessing the performance of his own office. We believe that responsibility for administering and monitoring HUD's overall environmental function should be positioned in the organization so that it is independent of officials who are directly responsible for primary programs under which projects subject to environmental assessments are proposed for approval. To provide adequate independence, the environmental clearance function should be assigned to a position which reports to the highest practical independent organizational level, preferably the secretary or under secretary level. Since the Assistant Secretary for CPD, as discussed previously in this report, is primarily responsible for administering programs under which projects subject to environmental assessments are proposed to HUD offices, we believe that his office may not have the independence required to best administer and monitor the environmental function.

As discussed later in more detail, the Assistant Secretary's Evaluation Division completed a draft report in March 1974 on a nationwide study of HUD's implementation of NEPA. The draft report criticized HUD's progress and pointed out some deficiencies similar to those included in this report. The Assistant Secretary told us that he did not contemplate distribution of the report because he did not see any purpose to be served by doing so. He said the report was prepared for his predecessor and that he used the report as a useful introduction to some of HUD's environmental operations.

Having HUD management give
more emphasis to NEPA

We proposed that the Secretary of HUD emphasize to HUD management the need to give higher priority to complying with NEPA requirements by preparing timely and adequate clearances for all project proposals. HUD stated that this continues to be done and that 103 field staff positions have been allocated for the environmental function. HUD also stated increased awareness and emphasis

on HUD's environmental responsibility have been recognized in central and field office meetings.

In August 1974 the Secretary of HUD reorganized HUD's 39 area offices to enhance HUD's ability to implement the Housing and Community Development Act of 1974. In each area office a full-time environmental clearance officer will be responsible directly to the area office director. Before this reorganization, the clearance officer had other duties and reported to the operations director in the area offices.

The 103 environmental positions include 77 professionals and 26 clerical positions in HUD's 10 regions. As of May 7, 1975, the 77 positions were filled--18 at the regional office level and 59 at the area office level. None of the positions were allocated to HUD's 37 insuring offices whose personnel are responsible for assessing the environmental impacts of HUD-insured projects, subdivisions, and low-rent housing projects proposed in their geographical areas of jurisdiction.

We believe that the Secretary should insure that the 77 professional staff at the regional and area offices are adequately trained and should emphasize to them or other HUD field personnel performing the clearances the need to improve HUD's performance of the clearance function. The Secretary should tell the HUD field staff that our review and HUD's internal evaluation showed serious deficiencies in the clearance function and that major improvements are needed.

Establishing better procedures and criteria

We proposed that the Secretary formally adopt and require the use of an environmental assessment guide prepared by HUD's Office of Environmental Quality. We also proposed that the Secretary establish significance criteria for those environmental areas which can be more readily quantified to assist clearance personnel in evaluating the information obtained pursuant to the environmental assessment guide.

HUD stated that the assessment guide had been printed and disseminated, however, it could not by its very nature be made into a straightjacket, but could only be used as part of the environmental analyses. HUD also stated that it was actively funding research to establish significance criteria and, where possible, environmental standards and criteria.

HUD officials told us that the contractor is scheduled to complete guidance manuals in June 1975. HUD indicated

that the manuals will provide bases for judging the acceptability and significance of over 70 principal components of the environment as they affect or are affected by projects proposed to HUD. The manuals will include references to standards or guidelines available from HUD, other Federal agencies, States, and local governments for assessing the environmental acceptability of a project proposal. Since the guidelines were not finalized at the completion of our review, we were unable to determine their effectiveness in improving the environmental assessments made by HUD personnel. If these manuals meet HUD's expectations, however, they may provide HUD offices with major technical tools for improving their performance.

Using outside expertise in preparing clearances and responding to their comments

We proposed that the Secretary require HUD personnel to (1) make more effective use of environmental expertise available in other Federal, State, and local agencies in preparing normal and special environmental clearances and (2) more adequately consider and respond to comments to these agencies in preparing environmental impact statements.

HUD stated that where other governmental expertise is available in a timely fashion it has been and will continue to be used. According to HUD, however, these other agencies often have built-in time delays and costs which mitigate against their use. HUD added that it had not always found other agencies eager to use their scarce resources for the more routine reviews that account for most of HUD's actions. Further, HUD stated that only five agencies use the standard 10 Federal regions; few, if any, have offices at the area and insuring office levels; and, since HUD's NEPA responsibilities are fully decentralized, the lack of direct counterparts make cross-agency coordination very difficult.

Our review showed that HUD made little or no use of environmental expertise of other agencies for normal and special clearances. Although we would not expect HUD to seek the assistance of these agencies for routine reviews, many Federal and State agency officials complained that they seldom have the opportunity to review and comment on HUD's environmental assessments and indicated that they should have the opportunity to comment on more of HUD's proposed projects.

We believe that procedures could be established to enable HUD to use the expertise of other agencies in spite of HUD's organizational structure.

HUD stated that it felt it had generally responded adequately to other agencies' comments. HUD also stated that because the comments are frequently narrowly focused and contradictory among agencies they are considered a valuable input into the decisionmaking process, but not the single major determinant in the project decision.

Six of the seven environmental impact statements we reviewed did not contain satisfactory responses to review agencies' comments. Officials of several agencies and private groups told us generally that the statements appeared to be justifications for HUD's decisions to sponsor the projects.

Setting up a training program for HUD clearance personnel

We proposed that the Secretary set up a training program to periodically instruct HUD clearance personnel, particularly at the area and insuring offices, in performing more adequate clearances. HUD stated that its training program was already set up, had been in operation with increased emphasis in the last year, and would be expanded in the future.

HUD furnished a list of training sessions on environmental matters which it said had been held for HUD personnel and officials since September 1970. HUD stated that there had been numerous meetings of the regional environmental and standards officers and field staffs with central office staff. HUD also stated that 1-day regional training meetings had been held to familiarize the regional and area office staffs in HUD's regional offices with the environmental assessment manual now being developed and that there would be additional training on its use.

Our report recognizes that training has been provided to HUD's personnel. Our concern with HUD's training was not with the number of training sessions held but with the quality of the training. As late as August 1974, when our fieldwork was completed, we discussed with HUD field staffs their satisfaction with the environmental training provided them. The area and insuring office personnel who were principally responsible for preparing clearances told us that the training they attended was not specific enough to offer much assistance in preparing clearances. HUD did not furnish information with its comments on this report

to show that any major improvement had been made in the quality of training offered since completion of our field work.

HUD's internal evaluation

In commenting on our report, HUD referred to a 1974 internal evaluation of its environmental assessment activities. The evaluation report contains similar findings to those developed in our review of HUD's environmental clearance process and attributed these findings to many of the same causes we identified:

- Lack of priority and emphasis given to environmental matters and conflict between the environmental clearance process and HUD's program priorities.
- Lack of adequate guidance and criteria for conducting environmental clearances and assessing environmental impacts.
- Inadequate training of personnel in procedures for conducting environmental clearances and lack of needed disciplines in house to provide an interdisciplinary approach in the preparation of clearances.

The evaluation, which was performed in October and November 1973, included operations at the 10 HUD regional offices, 22 area offices, and 8 insuring offices; covered six major HUD programs; and reviewed a sample of project actions processed during the period July 1, 1972, through June 30, 1973. This coverage was broader than our coverage because more HUD offices were included; however, our review covered a more recent timeframe--July 1, 1972, through December 31, 1973.

The evaluation showed that many project actions were processed without the proper environmental clearances. For a sample of 354 project actions, the HUD offices approved

- 74 projects, or 21 percent, without preparing an environmental clearance;
- 51 projects, or 14 percent, before preparing the required clearances; and
- 40 projects, or 11 percent, after preparing normal clearances rather than the required special clearances.

In summary, the HUD evaluation showed that the HUD offices prepared the type of clearance required by HUD guidelines for only 54 percent of the projects; our review showed only 36 percent.

Although HUD essentially disagreed with the factors we identified as contributing to the clearance problems, its own evaluation showed the same factors existed.

RECOMMENDATIONS

We recommend that the Secretary of HUD:

- Elevate the environmental function to the highest practical independent organizational level within HUD, preferably to the secretary or under secretary level.
- Emphasize to HUD management the need to give higher priority to complying with NEPA requirements and to making the environmental clearance function an integral part of HUD's planning and decisionmaking process by preparing all required clearances before approving proposed projects and by presenting all relevant information, including alternatives, to the proposed projects.
- Require HUD clearance officials to make more effective use of the environmental expertise available in other Federal, State, or local agencies in preparing normal and special environmental clearances and to more adequately consider and respond to these agencies' comments in preparing environmental impact statements.
- Set up a specially designed training program to periodically instruct HUD clearance personnel, particularly at the area and insuring offices, in performing more adequate clearances.

MATTERS FOR CONSIDERATION BY THE CONGRESS

Under regulations for implementing the Housing and Community Development Act of 1974, HUD has made localities responsible for assessing the environmental impacts of projects to be funded with community development block grants. HUD offices, however, retain responsibility for the function for housing assistance or insurance projects which accounted for most of HUD's actions before passage of the 1974 act.

Considering HUD's lack of priority and emphasis on assessing the environmental impacts of projects which it approves, the Congress may wish to question HUD during future hearings on how effectively the localities are carrying out their responsibilities for the environmental review of proposed projects.

CHAPTER 6

SCOPE

We visited HUD's Indianapolis, Louisville, and Washington, D.C., area offices and the Cincinnati and Wilmington insuring offices, and the regional offices having jurisdiction over those five field offices--Atlanta, Chicago, and Philadelphia. We reviewed the five field offices' application of HUD environmental clearance policies and procedures to 253 project proposals submitted for approval during the 18-month period ended December 31, 1973.

We selected seven of those project proposals for indepth analyses to determine their adequacy to support the field offices' decision that environmental impact statements were unnecessary.

Also, we reviewed the adequacy of seven selected environmental impact statements prepared by HUD area offices in Boston, San Antonio, Richmond, and San Francisco and the HUD Washington central office. The area offices are under the jurisdiction of the following HUD regional offices: Boston, Dallas, Philadelphia, and San Francisco.

We discussed various matters in this report with responsible officials of HUD central and field offices; CEQ; private groups and individuals; and other Federal, State, and local agencies.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D.C. 20410

APR 14 1975

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENTIN REPLY REFER TO:
CSP

Mr. Henry Eschwege
Director, Resources and Economic
Development Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your February 18 request for our comments on the GAO draft report titled "Problems in Implementing the National Environmental Policy Act of 1969, Department of Housing and Urban Development."

This draft report amasses summary statistics and draws far reaching conclusions from several sample surveys -- one of 253 projects and two of seven projects each -- which if valid, current, and representative would sharply challenge the responsiveness and efficacy of HUD's implementation of environmental protection responsibilities under the National Environmental Policy Act of 1969 (NEPA).

If the validity, currency, and representativeness of these draft GAO conclusions can be defended, then there is a strong implication that HUD should sharply upgrade its implementation of the basic statute and modify and refine its screening procedures for identifying projects with environmental impact problems well before they reach the stage of HUD commitment or approval. Finding a few examples of improper attention to environmental screening in the past would be one thing, regrettable, but of limited consequence. Finding wholesale current abuse representative of the entire HUD effort in the field of environmental protection would be a matter of far different consequence.

The draft GAO report implies that it has done the latter, but in fact it has not. The report as drafted and the survey and sampling on which the draft report is based suffer from several grave weaknesses. First, the draft

report has not established any case for believing that the 267 projects included in the sample are representative of the 30,000 or so project proposals considered by HUD in the period from January 1, 1970, through June 30, 1974. The report is strangely silent on the method by which the sample was selected. Second, the sampling and the conclusions of the draft report appear to be drawn from projects considered in the 1971-1972 period when Federal agencies were in the process of establishing and shaking down procedures for dealing with the new environmental concerns; few if any projects appear to be drawn from recent years or recent months. This is particularly important because HUD has been training personnel and revising procedures as initial defects in approach have been identified. For example, on November 4, 1974, after considerable discussion with interested participants in the environmental clearance process, HUD made fundamental changes in the environmental clearance procedures in the area of Housing Production and Mortgage Credit. (Transmittal No. 4, amending HUD Handbook 4010.1.) The third generic weakness lies in the area of validity of criticisms of project decisions, and in the judgmental nature of ultimate project decisions in trading off environmental values against other, equally important values. The statute does not establish environmental protection as an absolute virtue to be maintained at all costs against all other values; hence, there will always be critics who do not concur in the exact position of the compromise which must always be made amid differing points of view. The device used in the GAO report draft of citing critical external agencies based on anonymous experts and unstated criticisms superficially undermines confidence in the HUD decisions. The approach fails to establish the superiority of the anonymous critic's point-of-view over the HUD decision-maker's.

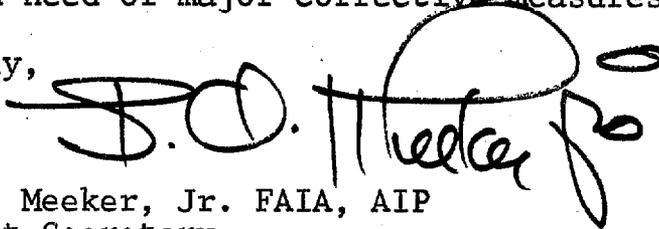
On a more general level, HUD rejects the premise fervently held in some quarters that the conscientiousness of environmental protection can be measured by the number of 102(2)(c) environmental impact statements (EIS's) produced by an agency. HUD has limited manpower for its workload, and we consider an EIS in association with a project proposal that ultimately will be rejected to be a waste of that scarce manpower. We prefer to disapprove the environmentally unsound projects well before they reach the EIS stage, or to have modified them along environmentally acceptable lines to carry out the spirit of NEPA without an EIS review. This general position, of course, does not relieve HUD field personnel of their obligations to perform timely, searching "normal" and "special" environmental clearances on all projects.

Finally, experience has taught us that some critics in society demand EIS statements under conditions which have little or no relation to the spirit of NEPA. Certain groups have tried to use it to keep low and moderate income housing away from their neighborhoods. Other groups would attempt to use the EIS device as a means of protecting the sanctity of nature absolutely against the needs for human habitation by a growing population. Still other groups would try to use the EIS as a costly stall that will prevent developers from bringing change or renewal to their communities. HUD has had to wrestle with these many pressures from special interests. From time to time HUD has declined to write EIS statements, and it has been upheld by the courts. Again this is a matter for perceptive judgment in balancing off opposing forces which try to influence project outcomes, rather than a mechanical application of the EIS review.

We appreciate the opportunity to comment on this draft GAO report. Be assured that the Department is concerned with environmental quality and with departmental responsibilities under NEPA. We will make every effort to correct valid deficiencies that the GAO has found in our implementing procedures or performance.

We are enclosing more detailed comments on the Scope, Methodology, Content, and Recommendations of the draft report, together with additional listings, tables, and explanations which might be helpful to you in determining whether or not this draft report is really oriented to a current problem badly in need of major corrective measures.

Sincerely,

A handwritten signature in dark ink, appearing to read "D. O. Meeker, Jr.", with a large, stylized flourish at the end.

David O. Meeker, Jr. FAIA, AIP
Assistant Secretary

Enclosures

LIST OF ENCLOSURES

- A. ANALYSIS OF THE SCOPE OF THE GAO REVIEW
- B. ANALYSIS OF THE METHODOLOGY OF THE GAO REVIEW
- C. ANALYSIS OF THE CONTENT OF THE GAO REVIEW
- D. ANALYSIS OF THE GAO RECOMMENDATIONS

LIST OF APPENDICES [See GAO note 1, p. 63.]

- 1. PARTIAL LIST OF TRAINING ON ENVIRONMENTAL MATTERS
- 2. PARTIAL LIST OF ENVIRONMENTAL INFORMATION AND GUIDANCE MATERIALS PRODUCED OR SUPPORTED BY HUD
- 3. HUD HANDBOOK 4010.1 - "PROCEDURES FOR ENVIRONMENTAL CLEARANCE OF INSURED PROJECTS, SUBDIVISIONS AND LOW-RENT HOUSING PROJECTS"
- 4. SUMMARY OF THE RESEARCH PROGRAM, TO PREPARE ENVIRONMENTAL GUIDANCE MANUALS, AND THE DESIGN OF AN ENVIRONMENTAL GUIDELINES RESEARCH PROGRAM

ANALYSIS OF THE SCOPE OF THE GAO REVIEW

The GAO review is narrowly focused; its analysis is limited to whether there should have been more EIS's produced or not and whether HUD's Section 102(2)(C) responsibilities should have been handled differently. It does not fully cover, as it purports, "HUD's progress in developing and implementing an effective program for carrying out the requirements and intent of the Act." It neglects to fully explore many of HUD's activities in carrying out the requirements and intent of NEPA.

It should be pointed out that in November 1974, HUD issued new procedures for the processing of all housing assistance and mortgage insurance programs including both subdivisions and multifamily projects. These new procedures resulted in a revision to HUD Handbook 1390.1 and an addition to the HPMC Handbook 4010.1 on processing of housing projects. The new procedure completely integrates the environmental reviews into the regular program processing, thereby precluding many of the omissions, late reviews, and incomplete reviews cited by the GAO in its findings on the projects in Ohio and Indiana. (A copy of 4010.1 chg. is enclosed as Appendix 3.)

Other actions not given attention in the GAO report include:

1. The incorporation of environmental elements into HUD program policies, for example, the environmental assessment requirement placed in the 701 planning program whereby an environmental assessment of the final planning product is required as part of a proposed planning program. Further environmental assessments were prepared on environmental criteria on the Minimum Property Standards, Project Selection Criteria, Project Selection System, Federal Disaster Assistance and New Communities Regulations.
2. The compilation of all HUD issuances with environmental criteria and standards, keyed to major environmental elements requiring assessment under the new assessment form for housing projects. (See attachment to Appendix 2.)
3. The publication and dissemination to the field, in 1971 of an Environmental Reference Notebook. This was distributed about the time CEQ issued its first guidelines.

2

4. The publication of HUD Handbooks, Guidelines, and informational material in the environmental field. (For a partial listing, see Appendix 2.)
5. Interagency coordination resulting in the joint preparation of EIS's with other agencies on projects jointly funded.
6. The preparation through a research contract of a detailed draft guideline manual to assist field preparation of environmental assessments. The manual which is currently being field tested, will be available in the near future, and will be helpful to Title I communities in preparing environmental assessments as well as HUD.
7. The assumption of the lead role in focusing environmental aspects in such government-wide efforts as the lengthy negotiations over the environmental planning aspects of the Federal regulations for "Prevention of Significant Deterioration of Air Quality."
8. The special effort to meet disaster problems during the massive "Hurricane Agnes" rebuilding effort without sacrificing environmental quality.
9. The government-wide leadership role by HUD in simplifying and setting noise standards for residential areas, and providing guidance documents for dealing with noise pollution in the planning process.
10. The internal HUD evaluation of the field staff performance under Handbook 1390.1 and its predecessor policy to provide increased recognition and emphasis of the importance of the environmental assessment process.

ANALYSIS OF THE METHODOLOGY OF THE GAO REVIEW

The methodology of this study is questionable because of the: (a) unstated method of selecting projects; (b) reference to "experts" without describing their background; (c) comments by the "experts" on areas which may be outside their apparent expertise; and (d) rationale for the conclusion that more EIS's should have been prepared because HUD had received 30,000 project proposals in 4 1/2 years.

1. It is not stated how the 253 projects approved by five field offices were selected for the study. Was it a random or rationally selected sample? Of even greater importance, was the method used to choose seven of the 253 to review in depth? It may be that the seven might have been picked as being the worst possible cases rather than being representative, and that they were picked because they were obviously problem cases. Whatever the method, the end result was the selection of seven projects, from the 1972 and 1973 period, and all representing an early period of HUD's NEPA activities. The sample is likely not to be representative of the 1974 or 1975 performance.

The Department's own 1974 evaluation in a random sample revealed that out of 354 Fiscal 1973 projects: (a) 79 percent received a clearance; (b) 15 percent received a Normal Clearance and should have received a Special Clearance; and (c) only 18 percent received a clearance after the decision point.

2. The unknown "experts" selected to comment on the seven projects seem to comment on areas outside their expertise in some instances. Without providing the "experts" background, the legitimacy of their comments is questionable. Did GAO evaluate the technical expertise of those asked to judge HUD decisions; and what was the basis for the judgment? It is generally recognized that socio-economic factors are difficult to quantify. Therefore, "beliefs" that HUD should have "done more" in the social impact area is rather vague advice. The noise problem discussions in the Harper's Square Apartments review raise questions as to the degree of technical competence of the commentators. A "canopy of evergreen trees" recommended to reduce fly-over aircraft noise does not make sense. An evergreen barrier would need to be about 100 feet thick, without openings to provide a perceptible noise reduction. There is no way to have such a canopy

- placed over an open area. The City and Planning Commission presumably have chosen not to restrict residential use in the area, yet their comments reflect that they seem to expect HUD to do so.
- 3: The conclusion that there should have been more than 81 EIS's because HUD processed an estimated 30,000 project proposals, reflects an emphasis on numbers as previously noted. Many project proposals relate to small projects and to projects which clearly do not merit being labeled "major" or "significant" in the context of NEPA. A fundamental error in the "methodology" used rests on the false assumption that NEPA requires detailed HUD involvement in projects and activities whose funding (or guarantee) by HUD is not a "major Federal action significantly affecting the quality of the human environment" (underlining added). Much of the report reflects an unsupported assumption that HUD field staff should have assumed that all the actions were major and significant, then gone the route of the highest level of assessment, rather than, as they did, use their proven expertise to concentrate their very limited resources on those that were found to be major actions with significant environmental impact.

With respect to judgments concerning HUD's overall performance under NEPA, it would be worthwhile to know how HUD compares with other agencies involved in housing activities. For example, many HUD applicants also deal with the Veterans Administration (VA) and Farmers Home Administration which do not even have regulations implementing NEPA. This has caused considerable confusion for developers when one has stringent environmental procedures and others have few or no procedures.

ANALYSIS OF THE CONTENT OF THE GAO REVIEW

[See GAO note 2, p. 63]

The report neglects the context in which the assessments reviewed by GAO, were made. The period covered was one of change for both HUD and the environmental field in general. HUD was reorganizing and implementing the greatest mass decentralization effort possible, with decision-making authority being moved down to the Area and Insuring Office levels. At the same time a new government-wide environmental emphasis to implement NEPA was just being put into place under CEQ's policy guidelines.

We note that of the seven early projects reviewed by GAO none were approved in 1974 and only one as late as early December 1973. Clearly, all but that one project were submitted to and assessed by HUD in 1972 or 1971, well before there was clear government-wide direction, other than general policy. We feel a review of seven projects conceived and assessed in 1974 would show a better product.

Since neither NEPA nor CEQ defined any parameters to "environment," queries about the adequacy of coverage of a environmental review, when directed to a mission-oriented agency, will inevitably produce requests for more data, more detail, and more analysis oriented to that agency's interests. Much of the basis for conclusion that an EIS is required rests on

contentions concerning significant impacts. Subjective evaluations, often from single purpose or single-goal agencies, merely highlight the dilemma posed in the EIS review and comment process when agencies sometimes comment on matters in which they have no real expertise.

Unless an agency understands the development process, including HUD's options, their comments and conclusions often reflect misconceptions. For example, to claim that because "the purpose of the proposed sewerage main and four-lane highway... was not to promote new residential construction" the construction of these major growth inducers would not do so. However, construction of the Harper's Square Apartments was deemed to be a greater impetus to further residential construction in the area.

The content of the review is clouded throughout by a misunderstanding concerning what HUD can do with regard to alternative housing sites. HUD cannot demand that a developer look at alternative sites. The limit of HUD's actions is to require modifications or decline to assist the applicant, i.e., turn down the project. The developer can build elsewhere or at the same site, without HUD assistance when there are no local government restrictions on such residential uses.

ANALYSIS OF THE GAO RECOMMENDATIONS1. Elevate the function

HUD's organization is such that most of the HUD-assisted planning and physical community development activities (other than housing construction and management) are grouped under the Assistant Secretary for Community Planning and Development. Since HUD does not have many Assistant Secretaries, the major concern is not of coordinating the environmental functions of many units but that of working closely as a team leader in the environmental field. The A/S for CPD also has the title and function of Urban Growth Coordinator, as well as Departmental responsibility for relocation and A-95 matters. All these cut across the other organizational units of HUD; thus there is certain logic for the Departmental environmental responsibility to be so lodged also.

In the unlikely event postulated on page 59, that another A/S might not want to carry out HUD's regulations as interpreted by the A/S for CPD, the Under Secretary, and ultimately the Secretary can settle the impasse, as is the case when there is disagreement at the Assistant Secretary level.

2. Emphasize high priority of NEPA to HUD management

This continues to be done. Most recently, 103 field staff positions have been allocated as environmental staff. In the case of the Area Offices, the Environmental Officer now reports directly to the Area Office director which was not previously the case. In addition, as pointed out in the remarks on environmental training, increased awareness and emphasis on HUD's environmental responsibility have been recognized in Central and field office meetings.

[See GAO note 2, p. 63]

4. Require HUD personnel to make use of other governmental expertise in preparation of normal and special clearances and respond to their EIS comments more adequately

Where such expertise is available in a timely fashion, this has been and will continue to be done. The other agencies often have built-in time delays and costs which mitigate against their use. While agencies may be willing to comment once without attribution, we have not always found other agencies as eager to use their scarce resources for the more routine reviews that are the bulk of HUD actions. Only five agencies use the standard 10 Federal Regions, and few if any have offices at the Area/ Insuring Office level. Since HUD's NEPA responsibilities are fully decentralized, the lack of direct counterparts make cross agency coordination very difficult.

We feel that HUD has generally responded adequately to other agencies' comments, but HUD cannot abandon its decision-making responsibilities. Because another agency's comments or recommendations were not followed in toto does not mean they were not considered. Since comments are frequently narrowly focused and contradictory among agencies, they are looked on as a valuable input to the decision-making process and not as the single major determinant in the project decision.

5. Set up a training program to periodically instruct HUD clearance personnel

That program is already set up, has been in operation (with increased emphasis in the last year) and will be expanded in the future. There have been numerous meetings of the Environmental and Standards Officers (ESO's), and field staff. (See Appendix 1 for more details.)

The 10 regional ESO's have met regularly with the HUD Central Office staff (though not as frequently as we would like because of travel limitations) and they, in turn, have held field training sessions. All HUD personnel engaged in Community Development Block Grant (CDBG) actions, numbering over two thousand people, received environmental training during November and December 1974, as part of the CDBG national training effort. This of course, post-dates the GAO review. In addition, the draft environmental assessment manual was the subject of a full day's training of Area Office staff in each of the 10 regions, and there will be increased follow-up.

In all there have been at least 55 sessions, starting in September 1970, in which environmental procedures were stressed.

GAO notes:

1. Appendices were not included because they were too voluminous or dealt with matters considered in report preparation.
2. Deleted comments refer to material contained in draft report which has been revised or considered in report preparation or which has not been included in the final report.

PROJECT APPLICATIONS EXAMINED

<u>Program</u>	<u>Number of projects</u>
Housing assistance or insurance:	
--One-to-four family structure subdivisions	123
--Multifamily structures	63
--Public housing	12
--Mobile home parks	1
--Nursing homes	6
Model cities	2
Neighborhood facilities	10
Open space land	15
Urban renewal--conventional	6
Neighborhood development program	11
Water and sewer	<u>4</u>
Total	<u><u>253</u></u>

PRINCIPAL HUD OFFICIALSRESPONSIBLE FOR ADMINISTERING ACTIVITIESDISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HOUSING AND URBAN DEVELOPMENT:		
Carla A. Hills	Mar. 1975	Present
James T. Lynn	Feb. 1973	Feb. 1975
George W. Romney	Jan. 1969	Jan. 1973
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT:		
David O. Meeker, Jr.	Aug. 1973	Present
Clifford Graves (acting)	July 1973	Aug. 1973
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND MANAGEMENT (note a):		
Clifford Graves (acting)	Mar. 1973	July 1973
Samuel C. Jackson	Feb. 1969	Feb. 1973

^aCommunity Planning and Management was absorbed into Community Planning and Development in July 1973.

Copies of GAO reports are available to the general public at a cost of \$1.00 a copy. There is no charge for reports furnished to Members of Congress and congressional committee staff members; officials of Federal, State, local, and foreign governments; members of the press; college libraries, faculty members, and students; and non-profit organizations.

Requesters entitled to reports without charge should address their requests to:

U.S. General Accounting Office
Distribution Section, Room 4522
441 G Street, NW.
Washington, D.C. 20548

Requesters who are required to pay for reports should send their requests with checks or money orders to:

U.S. General Accounting Office
Distribution Section
P.O. Box 1020
Washington, D.C. 20013

Checks or money orders should be made payable to the U.S. General Accounting Office. Stamps or Superintendent of Documents coupons will not be accepted. Please do not send cash.

To expedite filling your order, use the report number in the lower left corner of the front cover.

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS