



095012
 COMPTROLLER GENERAL OF THE UNITED STATES
 WASHINGTON, D.C. 20548

B-167637

4-30-75

B-167637

APR 30 1975

095012



LM095012

The Honorable Richard S. Schweiker
 United States Senate

BEST DOCUMENT AVAILABLE

Dear Senator Schweiker:

By letter of October 31, 1974, you asked that we obtain information from Mr. Ernest James, president, Elm Park Corporation, Scranton, Pennsylvania, which might indicate improprieties in the handling of applications for assistance under section 236 of the National Housing Act, as amended (12 U.S.C. 1715z-1) by the Department of Housing and Urban Development. Also you asked that we investigate his allegations. Mr. James' allegations referred to multifamily housing projects for low- and moderate-income families with mortgages to be insured by the Department.

7 d. 2

We reviewed (1) procedures followed in processing applications for section 236 projects, (2) pertinent information in the Department's Philadelphia area office relating to applications for mortgage insurance under section 236, and (3) files maintained by Mr. James, his attorney, and the consultant for the project.

Our review did not disclose any improper action by the Department in considering the application for mortgage insurance for the United House project submitted by the corporation. Also, we found no improprieties concerning the allegations made by Mr. James. The areas of Mr. James' concern and our comments on these matters are presented below.

AVAILABILITY OF FUNDING
FOR SECTION 236 PROJECTS

Mr. James told us that the Department allowed the State to make grants to the sponsors of two section 236 housing projects for planning purposes when only one could be finally approved by the Department for section 236 funding. However, our review showed that the Department had enough funds to approve both projects.

TYPE OF SPONSORS ELIGIBLE FOR
UNDERTAKING SECTION 236 PROJECTS

The Department approved a section 236 housing project sponsored by a religious organization, which, according to Mr. James, is not allowed under its regulations. The Department's regulations do not exclude a religious organization from eligibility as sponsors of section 236 projects.

~~706352~~

RED-75-354

095012

COMPETITION AMONG SPONSORS OBTAINING
SECTION 236 COMMITMENTS FROM HUD

Mr. James told us that the Department had failed to notify the corporation about another project in competition with it. In financing section 236 projects, the Department follows a general practice of approving projects based on a priority ranking system. Under this system all projects in a given market area compete for available Federal funds. Department regulations do not require area offices to notify a sponsor of a proposed section 236 project that it is in competition with other sponsors.

DELAYS IN PROCESSING THE APPLICATION
FOR THE UNITED HOUSE PROJECT

According to Mr. James, there were unreasonable delays in processing the project's application.

Our review showed that there were delays in the processing of the United House application, but that these delays were not directly attributable to the Department's processing of the project application. The delays were related to:

1. The loss of the corporation's request for a feasibility conference.
2. The corporation's submitting incomplete information with the application and failing to follow prescribed processing procedures, which prevented the Department from making a feasibility study of the project.
3. The corporation's submitting the required documents, piecemeal, necessary to process the application.
4. The Department's deferring application processing for 2-1/2 months because of the disaster caused by tropical storm Agnes.

Details concerning these delays follow.

BEST DOCUMENT AVAILABLE

According to the Department's records, the corporation requested on January 25, 1972, that the Department's Philadelphia area office hold a feasibility conference--a conference between a project sponsor and the Department to discuss various aspects of a project affecting its feasibility.

At the same time the corporation submitted some of the documentation required for processing the project's application. The letter requesting the feasibility conference and the documentation either were lost at the Department or were never received. No record of them could be found at the Department's Philadelphia area office. The corporation resubmitted its request and the documentation on February 24, 1972, 1 month after the first submission.

In a review of the project's application on March 2, 1972, the Department found that certain required material had not been submitted. The sponsor had not submitted the required equal opportunity employment certificate, project selection criteria form, clearance from the appropriate areawide planning agency, and data relating to insuring compliance with provisions of the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

The Department informed the project's consultant that this material was missing and requested that it be submitted. Part of the required material was received by the Department on August 4, 1972, about 5 months after it was requested.

In June 1972 tropical storm Agnes struck the east coast causing severe flooding and damage in Pennsylvania and other States. The area office gave priority to assisting victims of this disaster, and as a result, further processing of pending applications, including the United House project, was deferred from August through the early part of October 1972.

A review of the project's application by the Department in October 1972, resulted in a recommendation that it be disapproved until certain deficiencies were corrected. These deficiencies related to (1) the filing of information on the participation of principals of the sponsor in previous Department-insured housing projects, (2) the sponsors eligibility as a nonprofit corporation, (3) the bylaws for the project, and (4) the project's affirmative fair housing marketing plan. According to Department procedures, each of these items must be included in the application. Some of the information needed to correct these deficiencies was received in November 1972.

Information in the Department's files show that processing of the project's application was about to start in December 1972 when the Department imposed a moratorium on the approval of all section 236 projects on which processing had not or was not expected to be completed by January 5, 1973. The United House project fell into this category. As a result of the moratorium, the application and related material was returned to the sponsor on March 7, 1973.

An official in the Department's Philadelphia area office said that under ideal conditions, it would take from 90 to 150 days to review an application and to issue a feasibility letter for a proposed section 236 project. Using this criterion, the project's application could have been approved by July 1972, if the application had been complete upon submission in February 1972. If the project had been approved within 150 days, it would not have been affected by the Department's moratorium.

In November 1973, the Department's headquarters office informed the Philadelphia area office that the application for the project could be resubmitted and accepted if the project was essential to (1) close out an urban renewal project in fiscal year 1974 or (2) be an immediate relocation resource for displacees to be relocated in fiscal year 1974 from an urban renewal project or neighborhood development program in accordance with an approved Department relocation plan. The project did not meet either of these criteria. The consultant for the project was informed of this fact on March 13, 1974.

A House subcommittee previously asked us to review Department procedures for approving applications for housing assistance, including assistance under the section 236 program. Our review included the Department's Philadelphia area office. Our report to the subcommittee was issued on March 25, 1975. We will send you a copy when it is released by the subcommittee.

As your office requested, we did not give the Department or Mr. James an opportunity to formally review and comment on the matters discussed in this report; however, we did discuss these matters with Department officials and with Mr. James and have considered their comments in this report.

Sincerely yours,


Deputy Comptroller General
of the United States

BEST DOCUMENT AVAILABLE