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



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The Honorable Lawton Chiles  
Chairman, Subcommittee on the  
District of Columbia  
Committee on Appropriations  
United States Senate

Dear Mr. Chairman:

The following information, submitted in response to your recent request, summarizes the results of our work in the District of Columbia's 14th Street urban renewal area.

The 14th Street corridor (340 acres in northwest Washington whose general boundaries are 11th and 14th Streets, N.W., from Florida Avenue to Spring Road, N.W.) was designated for urban renewal after the April 1968 riots, when the President of the United States directed the Redevelopment Land Agency to clear the riot torn area. The riot damaged 270 buildings and 323 business establishments. At the time, the agency was a Federal corporation, responsible for urban renewal in the District. Effective July 1, 1974, the agency became a District corporation in accordance with the District of Columbia Self-Government and Governmental Reorganization Act of 1973. On July 3, 1975, the District government consolidated the agency and other housing and community development activities in a new Department of Housing and Community Development.

Seven years have passed since the riots, but no new housing has been built and few houses have been rehabilitated in the 14th Street urban renewal area. Many of the problems contributing to the slow progress were beyond the agency's control. Progress was also impeded because management of the program was ineffective:

- Records were so poor that the agency did not know how many properties it owned, whether they were occupied or vacant, how many tenants it needed to relocate, or the status of relocation progress.
- Some 14th Street residents did not receive benefits to which they were entitled, or they did not receive them on time.

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--Some payments were made for contracted services that were never performed or were inadequate.

--232 tenants were allowed to live in agency-owned property without being asked to pay rent, because the agency had not obtained lease agreements from the tenants. Six of these tenants were paying rent. Delinquent rents from other tenants totaled about \$550,000 as of March 1, 1974.

Since our review, the agency made some management improvements, such as establishing control over acquired property, but much more can be done to improve urban renewal efforts in the 14th Street area.

Redevelopment Land Agency officials generally agreed with our findings. Their comments and actions taken to correct problems brought to their attention have been considered in the preparation of this report. The details of our work have been furnished to the agency for its use in improving the urban renewal process.

#### SLOW RENEWAL PROGRESS

##### New construction

Urban renewal in 14th Street began in 1970. A new \$4 million community health facility was completed in December 1975, but no new housing has been constructed and none is expected to begin until January 1976.

Some of the delay in building new structures and rehabilitating others can be attributed to the President's mandate that the agency concentrate on acquiring the 1968 riot damaged property. The agency did this as quickly as it could, and then it set out to acquire other property that could be combined to form marketable development projects. It took the first 2 years to acquire the bulk of the riot damaged property. By July 1974 the agency had acquired or was in the process of acquiring 462 of the 545 properties designated for acquisition. The cost totaled \$22.5 million.

Delays in constructing and rehabilitating buildings were also caused by (1) lack of funds, primarily because of a Department of Housing and Urban Development moratorium on financing housing programs, (2) the inflationary spiral which drove construction costs up, and (3) reluctance of developers to risk cash and equipment.

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The first project has not yet started; it was advertised by the agency in May 1973 and a developer was selected in September 1973. However, the developer withdrew in March 1974, and a new developer was selected in May 1974. Construction of the project is planned to start in March 1976. Two other projects have been assembled for new housing construction in 14th Street.

An agency official and a developer said developers are not interested in building in the 14th Street area because of the high risks involved, such as potential damage to the contractor's property and equipment. Also, the agency does not solicit sponsor-developers' views on what they think would be successful in an urban renewal area. A developer who had been involved in the 14th Street renewal believed that, while tax abatement would help encourage development, the high cost of construction made it unlikely that a developer could profitably rent to the low and moderate income tenants the agency would like to house in the new construction. In this light, the developer advised us that the Department of Housing and Urban Development was requiring about a \$200,000 cash investment for the first project in 14th Street, because the project was expected to operate at a substantial deficit for about 2 years.

The agency owned two large apartment buildings near the first project site (1400 and 1401 Fairmont Street). The developer expressed the view that, if the agency had rehabilitated these properties and had an operating rental facility in place, the atmosphere for new construction would have been greatly improved.

Rehabilitation

The agency designated 1,360 buildings for rehabilitation. Limited funds prevented the agency from helping most 14th Street homeowners rehabilitate their properties, and without financial assistance most homeowners probably cannot rehabilitate their properties. The agency acquired 89 of these buildings, but only 2 were being rehabilitated as of December 31, 1975.

Through September 1974, 22 privately owned buildings had been rehabilitated--15 with agency assistance; 2 additional properties were in the process of being rehabilitated; and 5 additional properties were approved for later rehabilitation at a cost of about \$1.1 million to be paid from funds the Department of Housing and Urban Development made available to the agency.

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The lack of a control system that could identify all properties designated for rehabilitation and periodically highlight progress of rehabilitation projects led to unnecessary delays in starting renovation. For the 14 rehabilitated properties we looked at in detail, delays averaging 14 months occurred from the time the owner decided to rehabilitate until construction began. For example, rehabilitation of two houses was delayed over 9 months because the area office responsible for rehabilitation lost track of the documents that had been approved by agency headquarters.

About 1,200 properties designated for rehabilitation have not yet entered the rehabilitation workload. At the past rate of rehabilitation, assuming the same pattern of funding, completing the 14th Street renewal will take decades.

The agency has made changes to get substantial rehabilitation underway. It has centralized responsibility for rehabilitation of all renewal areas, has increased staff and plans to use in-house staff for such things as architectural services and construction inspections, and has hired a consultant to offer recommendations to speed up the rehabilitation process.

More needs to be done. A system should be established that will keep track of rehabilitation progress and highlight specific cases for management action when progress is slow.

Of the 89 buildings that the agency planned to rehabilitate, 80 buildings (9 were dropped because of unforeseen structural problems) were grouped into 5 rehabilitation projects. Construction began on one project, involving two large apartment buildings, in September 1975. Each of the five projects had been delayed for periods of from 9 months to 15 months. In one case, the agency-approved rehabilitation effort was disapproved by the Department of Housing and Urban Development because it was too costly; the project had to be revised. Lack of coordination between the agency and other involved groups, such as the National Capital Housing Authority and the Model Cities agency, resulted in planning projects that, at a late date, were found to be too costly for program participants or that the agency was not authorized to participate in.

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Conclusions

Renewal of 14th Street has been slow. Some of the delay was not under the agency's control. The agency might have made renewing 14th Street more attractive to developers, however, by rehabilitating some properties sooner, by allowing some tax abatement, and by asking developers what type construction would most likely succeed, before issuing a prospectus.

Some improvements have been made in the owner-rehabilitation program. A control system needs to be established, however, to keep track of rehabilitation progress and highlight cases for management action when progress is slow.

Recommendations to the Mayor of  
the District of Columbia

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The District should:

- Discuss with developers the types of projects considered to have the best chance of succeeding, before issuing the prospectus.
- Consider whether tax abatement would aid in more speedy redevelopment without adversely affecting the District's revenue position.
- Establish a system under which the progress of rehabilitation projects will be monitored and the specific cases progressing slowly will be highlighted for management action.
- Undertake rehabilitation of agency-owned property to both speed redevelopment in 14th Street and to demonstrate that rehabilitation can work.

DISTRICT NEEDS TO IMPROVE  
MANAGEMENT OF URBAN RENEWAL PROGRAM

Some of the matters hindering progress in the 14th Street corridor were beyond the agency's control. Improved management would have done little to mitigate any bad effects of (1) the mandate to concentrate on acquiring riot damaged property, even though it was scattered throughout the area and could not be effectively packaged for development, or (2) increased construction costs and scarcity of funds, which caused some delays in getting needed housing started.

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However, a system that could effectively keep track of the status of (1) the properties designated for renewal, (2) tenants and their needs, (3) household relocations, and (4) services to households could have gone a long way in highlighting problems to help management take timely action to correct them. The following problems resulted because the Redevelopment Land Agency lacked essential information that could have been produced by a good management system.

System for controlling property and keeping track of tenants

People and property are affected by urban renewal actions, and accurate and complete records of how they are affected are essential to sound management. The records were so poor when we made our review that the agency did not know how many properties had been acquired, the number of units occupied or vacant, or the number and status of tenants to be relocated or awaiting payment after their relocation. Also, no system was in effect to monitor urban renewal activities to insure timely progress or to highlight areas where corrective actions were necessary. For management to find out what was going on would have required considerable effort in researching documents, often without assurance that the data developed was complete or correct.

Problems were noted in all parts of the project we reviewed. Because of the poor condition of the records, our work on property acquisition covered transactions through July 16, 1974, the most current date for which we could reconstruct data. We have since updated certain information to ascertain whether problems we noted had been corrected.

The District has taken some significant steps to improve records and controls. In October 1975 Department of Housing and Community Development officials advised us that acquired 14th Street properties had been included in a computer listing containing pertinent data, such as address, number of units, designated use, and initial acquisition cost. Also, property accounts were to be established for each acquired property, and all income and expenses, beginning with transactions for September 1975, would be recorded in the property accounts. We believe this is a major step toward establishing adequate control over property.

The system, however, does not provide procedures for recording property as it is acquired. Also, the system does not provide procedures for keeping track of tenants or for controlling property from the time it is designated for

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renewal until it is either dropped from the plan or is disposed of. Without such information management cannot effectively administer the urban renewal program.

Need to improve procedures  
for relocating displaced residents

The agency had not established an effective system to either control or monitor the progress of claims workload and relocations. As a result it had not (1) promptly paid certain allowances intended to help ease the financial stress tenants experience when moved, (2) provided safe and decent housing for a number of families, or (3) found housing for others.

Relocation claims

The agency did not maintain statistics on claims, although it did differentiate between its relocation workload (physical movement of residents) and its claims workload (processing and payment of claims for amounts due residents who relocated).

From the beginning of the program through June 30, 1974 (the most current period for which we could reconstruct relocation data at the time we concluded this portion of our work), the agency made 128 relocation payments, but it took an average of 11 months from the date the households moved.

An additional 390 households had moved but had not been paid. For 198 of these cases, which had been permanently moved an average of 22.5 months at June 30, 1974, either a final determination of eligibility had not been made or a claim for payment was in process. One hundred and seventy-two had self-relocated and were either awaiting inspection, living in substandard housing, or the agency was trying to find them. Data was not available to determine how long these households had been in these categories, but for about 110 of these cases where data was available the average was about 12 months. Although a precise standard cannot be applied to each case, we believe that delays beyond 90 days from the date of the move to the date of payment are unreasonable.

Agency officials could not provide specific reasons for the delays in individual cases but said that several routine delays--such as income verification, unit inspection, verification of rent due the agency, and insufficient internal claims processing procedures--affected many claims. The last item seemed to be a problem throughout the agency. The other factors mentioned here would not seem to justify the delays

noted, because they constitute activities normally associated with and necessary to the function.

#### Inspections

A major delay in processing relocation claims was caused by a poor system for inspecting the property of self-relocated households. Data was available for 91 of the 97 self-relocated households awaiting inspection at the time we compiled statistics. They had been in this category from less than 1 to 44 months, an average of 12.5 months.

Our test of 42 cases showed that inspections had been made for only 9 cases. In 12 cases the file contained no documentation showing that the inspections had even been requested, and, for another case, the file did not indicate that an inspection had been attempted. For the 20 remaining cases the records showed that inspections were attempted, sometimes more than once, without success. Inspections are critical to processing relocation claims as previously mentioned. No system was in effect, however, to help management insure that inspections were requested in a timely manner or made when requested.

#### Households remaining in temporary housing for excessive periods

Many residents displaced by urban renewal have remained in temporary substandard housing longer than the 1 year allowed by Department of Housing and Urban Development regulations. The agency did not have accurate records to tell how many such families had been temporarily relocated or how long the households had been in this category. Also, no system existed to insure timely reporting of temporary relocations.

As of June 30, 1974, the agency reported that 124 households were in the temporarily moved category. Detailed information later submitted at our request listed a total of 156 households that had been temporarily moved since the program began through mid-June 1974. Other temporarily moved households later identified by us increased the total to 183.

In explaining the lack of accurate data on temporary relocations, an agency official advised us that the primary document used to provide information for report preparation is a change notice prepared by relocation counselors. The official said change notices are not always prepared, are not prepared promptly, are sometimes not forwarded, or are forwarded long after the change takes place. Change notices were

a problem, but more importantly no system existed to insure that relocation counselors prepared change notices or, when prepared, forwarded them to appropriate offices for action.

According to agency officials, tenants stay in temporary housing for a number of reasons: landlords will not accept them for occupancy in standard dwelling units; some are eligible only for public housing; some do not want to leave the 14th Street area; some are waiting for newly constructed units; the agency does not require them to relocate before redevelopment of the property involved is scheduled; and a court order prohibited involuntary relocation for a 2-month period in 1973. Considering that the temporary housing in which these tenants live is substandard housing acquired by the agency for redevelopment purposes--that is, the housing is considered too deteriorated for economic rehabilitation and must be razed to make way for new construction--the agency has an obligation to place these tenants in standard housing as soon as possible.

The agency has taken some action to improve its control over tenants. Performance standards have been established for handling claims, and quarterly reports are prepared on the extent to which the standards are met. The reports do not deal with the reasons the standards were not met, however, and the system is based on change notices provided by the relocation counselors--a previously discussed problem. Cases are not specifically identified in the relocation workload. Unless detailed data on specific households is provided, action to correct problems related to the households cannot be identified readily.

A new filing system has been installed to facilitate review of the status of cases and followup actions by counselors and supervisors. This system will not solve the problem. About 800 cases, 500 of which had not yet been relocated, remained in the relocation workload. Each case file should contain numerous documents, such as the initial interview, memorandums of subsequent interviews, change notices, requests for inspections, and inspection reports. Under the new filing system, however, physically examining data in each case folder would still be necessary to verify the case status or determine whether it needed special attention. While this approach, used on a test basis, would serve to adequately monitor the counselors' performance, it would not be practical for either controlling the workload or highlighting cases needing special attention because it would involve a time-consuming review of each case folder.

Property management procedures improved

The agency provides management services on acquired properties until they are either demolished, rehabilitated, or disposed of. Because housing construction and rehabilitation was slow, the agency was faced with a greatly increased property management workload, which it was ill equipped to handle. Several organizational changes, such as realignment of property management responsibilities and consolidation of property management functions, were made in an attempt to deal with the increased workload. These changes helped; however, some basic property management problems existed that needed to be corrected before substantial, permanent improvements were possible.

The primary problems stemmed from the absence of an accurate inventory of properties, inadequate inspection of properties at various critical stages during the period that the agency held the property, an inadequate system for obtaining signed lease agreements and for collecting rents, and inadequate control over contractor-performed maintenance and repairs.

The inventory of currently owned 14th Street properties has been prepared; however, this was done long after most properties were acquired, and no system exists to prepare such an inventory during a period when property is being acquired.

The inspection program has been revised, and, if the schedule is adhered to, inspections should be made at the critical times during which property is held, such as before determining the extent of maintenance and/or repair work required or before payment to a contractor for work performed.

A system for obtaining lease agreements has been reiterated in a Department of Housing and Community Development release. More importantly, however, the Department has changed its previously held position that rent could not be charged in the absence of a lease agreement, and it now charges tenants rent regardless of whether a lease agreement has been obtained. Department officials advised us that either lease agreements had been signed or the tenants had moved from the 14th Street area in the 232 cases we noted where lease agreements had not been obtained. At minimum rents of \$40 to \$50 a month, the agency was losing money at the rate of between \$9,000 and \$11,600 a month.

Improved rent collection procedures include a more concentrated effort to collect rents, including possible eviction for nonpayment. The agency has made an effort to collect back rents, and, according to an agency official, a larger portion of current rent is being collected, minimizing the amount that will be accruing as delinquent rent. Obviously this effort must continue because, on the basis of the slow progress in redevelopment and rehabilitation, the Department apparently will be in the property management business for some time to come.

New procedures have been established for maintenance and repair of Department-owned property. In-house maintenance and repair had been brought under control by the time we completed our field work. Contractor-performed maintenance and repair was a problem. Contractors were paid for poor quality work or for work never done. For example, the agency paid \$325 to rebuild a small (70 to 80 bricks) wall; the bricks were out of line and mortar was smeared over the face of the bricks. Inspection of property before and after the work was the major problem, but the revised inspection program together with strengthened procedures governing payments should help improve the contractor-performed program.

#### Conclusions

The District has undertaken some corrective actions that should help improve the administration of the urban renewal program. More needs to be done, however, to insure that all properties will be accounted for and that tenants will be identified and will be provided services to which they are entitled, in an expeditious manner. The monitoring of urban renewal activities has been neglected, and, if improvements made since our review are to be effective, management must establish a system that will highlight problems for timely correction.

#### Recommendations to the Mayor of the District of Columbia

To improve administration of the urban renewal program we recommend that the District:

- Develop a management information system (1) to control properties from the time they are designated until they are disposed of or dropped from the plan and (2) to keep track of tenants from the time the District assumes responsibility for them until it has fulfilled its obligations.

- Identify, as part of the management information system, all households in the relocation workload and report monthly on the relocation status of each household, highlighting for special attention those households remaining in the same category for extended periods.
- Establish a program to monitor progress and highlight areas for management action when corrective measures are necessary.

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Copies of this report are being sent to the Chairman, Committee on Appropriations, House of Representatives, and to the Mayor and Council of the District of Columbia.

Sincerely yours,



Comptroller General  
of the United States