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

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GENERAL GOVERNMENT
DIVISION

OCT 20 1975

Mr. Julian R. Dugas
City Administrator
District of Columbia Government

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Dear Mr. Dugas:

The General Accounting Office has been surveying the housing activities in the District of Columbia Government to (1) ascertain if the District's "housing problem" is adequately defined; (2) find out the status of current efforts to solve the "housing problem" (measure of objectives vs. accomplishments); (3) identify all entities involved in housing in the District, the extent of their responsibilities, and the manner in which they carry out their responsibilities; and (4) ascertain the extent of coordination among housing-related District and Federal agencies.

Since the survey started, the District has prepared a housing and community development program as part of an application for a Federal Community Development Block Grant and consolidated a number of housing-related offices and agencies in the Department of Housing and Community Development (DHCD).

The housing and community development program and the reorganization represent significant steps by the District in addressing the "housing problem." Because these actions deal with some of the major issues we had intended to cover, we have decided to terminate our survey. We plan however, to reinstitute the survey of the new Department's operations at a later date.

Our limited work revealed a number of issues which we believe merit consideration by the District Government in developing its housing program.

The District should

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- develop a sound housing data base system;
- establish achievable housing and community development goals and objectives;
- provide for effective coordination among the functions of the new housing department and other District and Federal agencies whose activities impact on housing;
- establish policies and procedures for attracting builders and developers into the city to rehabilitate and construct housing units, and
- obtain private financing to help meet the city's housing and community development needs.

HOUSING DATA BASE SYSTEM

A housing and community development program should be based on clearly established housing needs in relation to housing supply. Before the District can effectively ascertain this, we believe it must compile data on such elements as total inventory of units and tenancy, vacancy in existing units, type of available structures and their physical condition and housing demands. Such data is also essential in developing achievable housing and community development goals and objectives and in periodically assessing progress.

The District does not have such housing data. The application submitted to the Department of Housing and Urban Development (HUD) for a block grant to help finance the housing needs of the city was based on data derived primarily from the 1970 census, and other in-house surveys and studies, some at least 4 years old. As further evidence of the need for housing data, the District does not know the number of abandoned houses in the city. Without complete, current and reliable data, the District cannot properly determine the city's need for future housing and community development.

We believe that the new Department should give priority to establishing a housing data base system, so that an accurate and up-to-date inventory of housing and its condition is available for (1) assessing the current housing picture, (2) determining future housing and community development needs and (3) monitoring housing activities.

ESTABLISHING ACHIEVABLE GOALS AND OBJECTIVES

The establishment of DHCD provides a central focal point for directing the District's housing and community development programs. The housing and community development program defines the long- and short-term objectives which the District considers necessary to meet the basic need of providing a decent home in a suitable environment with economic self-reliance for Washington families.

It appears that the housing and community development program has some major goals and objectives which are unrealistic and cannot be reasonably accomplished. The first year of the program calls for the completion (or progress toward completion) of some 4,100 subsidized housing units under Section 236 and other housing programs, and the proposed preconstruction commitment of some 5,000 leased housing units under the new Section 8 subsidy program authorized by the Housing and Community Development Act of 1974; 3,400 of the Section 8 units will be new construction. The goal is predicated on sufficient HUD funding.

According to the program approved by HUD on June 24, 1975, it appears that the District will not be able to achieve its first year housing goals and objectives. The plan, as approved by HUD, commits only \$2.7 million, from fiscal year 1975 funds, for 740 units of leased housing under the Section 8 program. Under the Section 8 program, HUD pays to the landlord the difference between the rent paid by an eligible tenant, generally 15 to 25 percent of his income, and fair market rent. As of September 3, 1975, no fiscal year 1976 funds had been committed for the Section 8 program.

In addition, the District faces a possible roadblock in the completion (or progress toward completion) of the 4,100 subsidized housing units primarily under the Section 236 program authorized by the National Housing Act, as amended. Under Section 236, HUD insures the mortgage loan and pays on behalf of the mortgagor, the mortgage insurance premium and interest on the mortgage over 1 percent. According to a District housing official, funds under this program were committed by HUD for these units, but funds have been released only for about 1,200. The housing official stated that release of funds for the remaining 2,900 units is being held in abeyance by HUD until they can assess the Section 8 program nationwide.

Another consideration which makes the District's housing and community development program overly optimistic is the fact that under the available Federal Section 8 program the financial risk is borne entirely by builders constructing housing units and the District has not explored the extent to which builders are willing to take a risk of that magnitude. Under the Section 8 program, builders must assume full responsibility for financing, constructing and renting their housing units.

Because housing funds are limited, the District should base its housing program on the amount of funds they can reasonably expect to receive from HUD during the program period. Also, the District should explore with builders the extent that they are willing to undertake the risks involved before developing a housing program using Section 8.

We believe that the District's goals and objectives for housing and community development programs should be realistically set. Adequate assurances that resources, be it HUD funds or builders' commitments, are available to do the job, are a prerequisite to development of any such program.

COORDINATION OF AGENCIES
INVOLVED IN HOUSING ACTIVITIES

Many District and Federal departments and agencies become involved in the planning, approval and construction of a housing or community development project. A consultant's report^{1/} prepared for the Redevelopment Land Agency stated that about 36 District and Federal agencies and officials participate in the urban renewal approval process, which takes about 27 months.

The lack of inter- and intra-agency coordination has hampered housing and community development in the city. Effective procedures have not existed to coordinate operations and resolve disagreements among agencies whose activities impact on housing and community development. As a consequence, a general slow-down of the urban renewal process has occurred because of the delays caused by officials who have stop/go authority at almost every important stage in the process. For example, amendments to an urban renewal plan have taken from 14 to 28 months depending on whether the plan change was controversial. In addition, according to builders and developers their development plans have been stymied because of the laborious and everchanging approval process required by many District agencies, as exemplified on page 5 for one developer.

The influx of monies from the HUD block grants, and hopefully from private sources, could stimulate housing and community development in the city. However, for development to be successfully accomplished, the District housing activities have to be better coordinated. A Policy Development Division has been established within DHCD to act as liaison between and to coordinate with HUD and with other Federal, District, local, regional, governmental and private agencies. A DHCD official informed us that a policy statement will be developed and operating procedures written to detail the process for resolving differences and coordinating operations of the many agencies involved in housing.

The need for entities involved in housing activities in the District to know that a single organization is responsible for and has authority to coordinate the activities of all housing related operations in the District, has been sufficiently documented in the past by Congressional

^{1/}
Interagency Relationships in the Existing Urban Renewal Process,
April 1972.

committees and private consultants. Establishing the Policy Development Division is a major step in the right direction. We believe that DHCD should give priority to defining the Division's authority and responsibility, as well as the requirements necessary to cover the Division's dealings with other District agencies and with Federal, local, regional, governmental and private agencies.

WORKING RELATIONSHIP BETWEEN DISTRICT
GOVERNMENT AND BUILDING INDUSTRY

A key factor in implementing the housing and community development program will be DHCD's ability to involve sufficient private development resources in housing construction and rehabilitation. Builders and developers represent one of the primary private resources necessary to carry out a housing plan. Without them few houses can be built or rehabilitated.

The DHCD may have difficulty in attracting builders and developers into the city to rehabilitate and construct housing units. Builders and developers with whom we have talked believe an anti-development syndrome exists within the District Government. This belief stems in part from administrative delays experienced by builders and developers such as the length of time District agencies take to approve development plans and to issue building permits for construction. In one case, a developer had to completely revise his development plan because a District agency delayed granting approval of a proposal for about 10 months, and during the interim, rising costs made the original proposal too expensive and a less costly project had to be designed. Such delays, another developer stated, makes the District unattractive to builders.

Builders and developers are concerned that no new housing is being built for middle-income families. One developer stated that construction of new housing in the District of Columbia is limited to either low-income housing or expensive apartment units. There is a vacuum for the middle-income. The builders and developers have expressed strong concerns about the lack of construction of middle-income housing in the city. They attribute the situation to increased costs of construction, and to the long, cumbersome, and expensive review and approval process resulting from bureaucratic "red tape!"

The builders and developers believe that they could not continue to build low- and moderate-income housing without subsidies from either the Federal or District Government. Without some form of subsidy, building housing for the middle-income group is not economically feasible.

The DHCD must work closely with the housing industry to resolve complaints cited by builders and developers, to obtain an understanding of their problems. This should help DHCD to establish effective communication and working relationships with them.

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We believe that the new DHCD should take the initiative in exploring, with builders and developers, solutions to problems which seem to have hindered a cooperative District-developer effort to the detriment of bringing on line needed housing.

PRIVATE-SECTOR FINANCING

A serious problem confronting the city with respect to housing finance has been attracting private resources. A recent study^{1/} of local lending institutions indicated that more housing-oriented money is being channeled into the suburban developments outside the city. The study indicated that local financial institutions were unwilling to extend credit for moderate and low-income housing in the city. However, a May 1975 newspaper survey of savings and loan firms indicated that loans are being made for city housing purposes in amounts which represent about the same proportion of total loans as city deposits are of total deposits. We have no way of readily determining which position is accurate.

The city's newly acquired power to deposit District funds in private financial institutions may have an impact on current lending practices. The city plans to follow a policy of guiding deposits of District funds into institutions which provide or agree to provide significant financing for housing.

Baltimore, Maryland housing officials have been successful in convincing a consortium of local banks to allocate several million dollars each year for inner-city housing activities. District officials might discuss the approach used in Baltimore for possible application in the District's efforts to obtain increased local financing.

The home rule act provides the city with authority to issue revenue bonds to finance capital projects. Hopefully, the Mayor's recent visit to New York to discuss bond issues with the financial community will prove productive.

We trust that the foregoing will be helpful in the District's effort to develop plans for providing adequate housing for its citizens. Please feel free to call on us to discuss any of the matters in this report. We would like to be advised of the actions taken.

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D. C. Public Interest Research Group, May 2, 1975.

Copies of this report are being sent to each member of the District
of Columbia City Council and the District of Columbia auditor.

Sincerely yours,

Frank Medico

Frank Medico
Assistant Director

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