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Improvements Needed In Administration Of Open-Space Land Program B.168174

Department of Housing and
Urban Development

UNITED STATES
GENERAL ACCOUNTING OFFICE

MARCH 8, 1972

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

B-168174

Dear Mr. Secretary:

This is our report on Improvements Needed in Administration of the Open-Space Land Program.

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Copies of this report are being sent to the Director, Office of Management and Budget, and to the Chairmen of the House and Senate Committees on Appropriations; the House ²³⁰⁰ and Senate Committees on Government Operations; the Senate ¹⁵⁰⁰ Committee on Banking, Housing and Urban Affairs; and the ⁵⁷⁰⁰ House Committee on Banking and Currency.

Copies are also being sent to your Assistant Secretary for Community Development and your Inspector General.

Sincerely yours,

A. T. Samuelson

Director, Civil Division

The Honorable
The Secretary of Housing
and Urban Development

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ABBREVIATIONS

GAO General Accounting Office

HUD Department of Housing and Urban Development

D I G E S T

WHY THE REVIEW WAS MADE

Under the Open-Space Land Program, Federal financial assistance is provided to States and local public bodies to acquire and/or develop land to help curb urban sprawl; to assist in preventing the spread of urban blight; to encourage economic urban development; to provide parks and recreational areas; and to preserve conservation, scenic, and historic land areas.

This is the second report by the General Accounting Office (GAO) on the Open-Space Land Program. GAO's first report, dated June 16, 1971, dealt with the leasing of land acquired under the program. GAO noted during that review that States and local public bodies--grantees--had not developed, on a timely basis, or had not used open-space land for purposes approved by the Department of Housing and Urban Development (HUD). GAO therefore made this review to determine whether the failure of grantees to develop and use open-space land was a widespread practice.

Effective July 1, 1971, the Open-Space Land Program, the Urban Beautification and Improvement Program, and the Historic Preservation Program were consolidated into an open-space land program, known as the Legacy of Parks Program.

FINDINGS AND CONCLUSIONS

From 115 projects identified in three States--California, Illinois, and Pennsylvania--in which grantees acquired and held title to open-space land for at least 18 months, GAO selected 26 projects to determine whether the land had been developed and was being used by grantees in accordance with the conditions set forth in the HUD grant contracts. (See p. 7.)

For certain projects

- land acquired for parks and general recreational areas had not been developed within a reasonable period of time (see p. 9),
- land acquired to help guide future urban growth and development appeared to be no longer needed for such purposes (see p. 14),
- grantees converted land to other than open-space uses without HUD's knowledge or approval (see p. 16), and

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--grantees did not erect signs to identify land as having been acquired under the open-space program and did not make the land available for the use of the general public (see p. 18).

Also GAO's examination showed that HUD had continued to reserve funds for open-space land projects for long periods of time after the contract performance periods had expired or the proposed projects had been canceled or completed. (See p. 21.)

HUD, while reserving Federal funds for projects which may not be developed, told States and local public bodies that funds for their projects were not available. (See p. 23.)

RECOMMENDATIONS OR SUGGESTIONS

In its current development of program guidelines for the Legacy of Parks Program, HUD should provide for its regional office representatives to monitor grantees' activities to ensure that grantees are complying fully with the provisions of the HUD grants awarded for the acquisition and/or development of open-space land. (See p. 26.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

In commenting on this report, HUD cited measures it had taken and planned to take to improve the administration of the program. For example, HUD said that grantees would be required to report regularly to HUD on whether open-space land was being used in accordance with the provisions of the grant contracts and that grantees not submitting this information would be subject to site visits and appropriate action by HUD. (See p. 27.)

HUD also stated that the new Legacy of Parks project selection system and the establishment of a number of HUD area offices would make it possible for HUD to be more familiar with local situations. (See pp. 27 and 28.)

Actions taken and planned by HUD, if fully implemented, should improve the administration of the Legacy of Parks Program.

CHAPTER 1

INTRODUCTION

The Open-Space Land Program, administered by the Department of Housing and Urban Development, was established under title VII of the Housing Act of 1961, as amended (42 U.S.C. 1500), and was designed to

- help curb urban sprawl;
- assist in preventing the spread of urban blight and deterioration;
- encourage more economical and desirable urban development;
- beautify and improve public open spaces;
- provide parks and recreational areas;
- preserve and restore buildings of historic or architectural significance; and
- assist in the acquisition of lands for conservation, scenic, and historic purposes.

The Secretary of HUD is authorized--under section 702 of the act, which deals with the acquisition of undeveloped or predominantly undeveloped land, and under section 705 of the act, which relates to the acquisition of developed land--to provide financial assistance in the form of grants to States and local public bodies to acquire and/or develop land for open-space uses.

Federal grants are not to exceed 50 percent of the costs involved in acquiring and/or developing land, including costs for such improvements as roads, walkways, bridle paths, retaining walls, curbing, fencing, grading, and landscaping.

As of June 30, 1970, Federal funds of about \$370 million had been appropriated for this program. HUD allotted about \$312 million of this amount for financial assistance

under sections 702 and 705 and disbursed about \$138 million to States and local public bodies for land acquired and/or developed for Open-Space Land Program purposes.

USES OF OPEN-SPACE LAND

Applications for Federal financial assistance for acquiring and/or developing land under this program are initiated by States and local public bodies and are required to state whether the land to be acquired or developed will be used for parks or recreational purposes, will be utilized in the guidance of future urban growth, is of historical significance, or will be devoted to scenic and conservation purposes.

With respect to such uses of the land, HUD's project selection and approval system--which includes identification and classification of projects according to program objectives--provides for focusing on projects which maximize the urban development goals of the program. This program, according to HUD, is to give priority consideration to projects in Model City neighborhoods, Operation BREAKTHROUGH areas, New Communities program, public housing developments, and urban renewal areas. HUD has stated that new emphasis is being given to projects with an explicit linkage to subsidized housing for low- and moderate-income families.

HUD's Open-Space Land Program regulations require that, in cases where the land is to be used for parks or recreational purposes, such as in low-income areas, its development take place within a relatively short period of time--usually about 1 year. If the land has been or is to be acquired for different program objectives, such as the guidance of future urban growth, immediate utilization of the land is not as imminent and development of land need not take place for a longer period of time--usually 5 to 7 years.

HUD regulations provide that grantees retain the land for the purposes outlined in the grant applications and that the land not be converted to other purposes unless the grantee satisfactorily demonstrates to HUD and obtains its approval of the change in the planned use of the land.

Generally land acquired or developed under the Open-Space Land Program is to be available for the use of the public. Grantees are required to erect suitable signs at the project site to show the purpose and nature of the project and to show that the land was acquired or will be developed under the federally assisted Open-Space Land Program. These public notices must be displayed until the land is developed or for a period of at least 2 years after the land is acquired if immediate development is not contemplated.

HUD instructions provide that Federal grant funds be reserved for open-space projects for a 12-month period from the date of a grant contract, unless HUD and the grantee enter into other agreements relative to the use of the funds. HUD instructions provide also that grant funds not obligated by a grantee during the grant contract performance period not be available to the grantee after that period.

From the inception of the Open-Space Land Program in 1961 through June 30, 1970, over 1,000 units of local government were assisted in acquiring approximately 380,000 acres of urban open-space land. During this period HUD approved applications and reserved grant funds of \$264.6 million to acquire and/or develop lands in undeveloped urban areas for the following purposes.

<u>Purposes</u>	<u>Amount (millions)</u>
Land acquired for:	
Parks in low-income neighborhoods	\$ 17.7
Parks in other neighborhoods	42.7
Small-town parks and recreational areas	16.1
General recreational areas	76.8
Guiding future urban growth	63.5
Historic preservation purposes	4.3
Scenic and conservation purposes	<u>27.1</u>
Total land acquisitions	248.2
Grants for developing land	15.7
Unclassified uses	<u>.7</u>
Total	<u>\$264.6</u>

As shown above, significant amounts of Federal funds were directed toward acquiring land for the development of parks in low-income neighborhoods. In 1970, for example, a successful attempt was made by HUD to raise the percentage of grants going into low-income neighborhoods from 6 to 33 percent.

The Housing and Urban Development Act of 1970 (84 Stat. 1770) consolidated the Open-Space Land Program, the Urban Beautification and Improvement Program, and the Historic Preservation Program into a single open-space land program, known as the Legacy of Parks Program, and restated the basic purposes of the program. This program became effective July 1, 1971.

The program provides for Federal grants to States and local public bodies to assist in financing the purchase and development of land in urban areas for parks and recreational purposes; for conservation of natural resources; for historic, architectural, or scenic purposes; for the beautification of public places; and for guidance of future urban development. The amount of a grant is limited to 50 percent of the costs of a project when the land is acquired for parks or similar purposes and to 75 percent of the cost of land acquired for guiding future urban development. A program handbook on the Legacy of Parks Program currently is being prepared by HUD.

According to HUD officials the program guidelines will (1) emphasize that financial assistance be provided for projects designed to directly serve the people, particularly in low-income neighborhoods and communities where parks and recreational facilities are often nonexistent or inadequate and (2) provide that States and local public bodies receiving financial assistance ensure that development of the land for the HUD-approved open-space purposes take place within 1 year from the date of acquisition.

PREVIOUS GENERAL ACCOUNTING OFFICE REVIEW EFFORTS

Our earlier review of the leasing of land acquired under the Open-Space Land Program showed that grantees had leased land without first obtaining HUD's approval, contrary to the requirement of the grant contracts. We brought this matter to the attention of HUD officials and in June 1971 reported¹ to the Congress on the need for HUD to (1) establish a system of periodic site inspections of open-space land projects to ensure that grantees obtain HUD's approval prior to leasing such land, (2) establish guidelines for the approval of grantee requests to lease open-space land to ensure that the proposed lease is compatible with the intent of the program and the timely development of the land for open-space uses, and (3) place restrictions on the use of revenues received from the leasing of open-space land.

In response to our recommendations, HUD officials advised us that information on the approval of leases for open-space land and the use of revenues received from such leasing activities would be included in a consolidated open-space land program guide which was being drafted by HUD. They also stated that HUD would make reviews of certain grants on which delays were being experienced in the acquisition and/or development of the land and would take appropriate action.

SCOPE OF REVIEW

From 115 projects in 3 States--California, Illinois, and Pennsylvania--for which the grantees had acquired and held title to the land for at least 18 months, we selected 26 projects to determine whether the land had been developed and was being used by the grantees in accordance with the conditions set forth in the HUD grant contracts. The purpose of the land acquired for the projects and the amount of the grants are shown below.

¹"Controls Needed Over the Leasing of Land Acquired Under the Open-Space Land Program" (B-168174, June 16, 1971).

<u>Purpose</u>	<u>Number of projects</u>	<u>Amount of grants</u>
Parks and recreational areas	18	\$1,200,000
Historic, scenic, or conservation purposes	4	800,000
Guidance of future urban growth (note a)	<u>4</u>	<u>500,000</u>
Total	<u>26</u>	<u>\$2,500,000</u>

^aPart of the land acquired for one of these projects was to be used for scenic and conservation purposes.

We reviewed HUD records and made site visits to the 26 projects. During the site visits we discussed with grantee officials certain aspects of the development and use of the open-space land.

We also examined into HUD's procedures for reserving funds for open-space land projects to determine whether such funds were reserved by HUD for long periods of time after the contract performance period of the projects expired or whether the proposed projects were canceled or were completed.

CHAPTER 2

IMPROVEMENTS NEEDED IN ADMINISTRATION OF OPEN-SPACE LAND PROGRAM

Our review showed that, for certain projects

- land acquired for neighborhood parks and general recreational areas had not been developed within a reasonable period of time,
- land acquired to help guide future urban growth and development appeared to be no longer needed for such purposes,
- land had been transferred by grantees for other uses without HUD's knowledge or approval,
- grantees failed to erect signs identifying the open-space land to the public and did not make the land available for the use of the general public, and
- HUD reserved Federal funds for long periods of time, even though the contract performance periods had expired and grantees did not have funds to develop the land as originally planned.

OPEN-SPACE LAND NOT DEVELOPED FOR PARK AND RECREATIONAL PURPOSES

One of the most important objectives of the Open-Space Land Program is to provide Federal financial assistance to States and local public bodies for the acquisition and development of land, particularly in low-income neighborhoods, for parks and recreational purposes.

HUD has established criteria against which applications for Federal financial assistance in acquiring and/or developing land for open-space land purposes are to be measured and evaluated. These criteria were established to ensure that applications are subjected to a fair and objective appraisal and set forth the evaluation factors pertaining to the basic purposes for which land was to be acquired and developed.

For example, the factors pertaining to open-space land to be acquired and/or developed to provide benefits and opportunities for residents of low-income neighborhoods or communities include:

1. Geographic proximity of land to be acquired in relation to the location of low-income neighborhoods or communities.
2. Degree to which the proposed land or facility will meet specifically the needs of the neighborhood residents.
3. Evidence to demonstrate the intention to develop the area for the immediate use of the neighborhood residents.

The last factor is also applicable in evaluations of applications for Federal financial assistance in acquiring land to be developed for small parks and for general recreational areas (large-city parks, regional parks, and area-wide facilities).

Our review showed that, as of September 30, 1970, land acquired for development as parks and recreational areas had not been developed for periods ranging from 20 to 71 months, as shown below.

<u>Number of projects</u>	<u>Periods for which land was not developed by grantee</u>	<u>Amount of Federal grants</u>
2	20 to 24 months	\$ 200,000
7	25 to 36 "	300,000
5	37 to 48 "	600,000
3	49 to 60 "	100,000
<u>1</u>	61 to 71 "	<u>100,000</u>
<u>18</u>		<u>\$1,300,000</u>

We discussed with grantee officials the planned uses of the land. For the most part these officials advised us that the lack of sufficient State and/or local funds prevented them from developing the land among the lines proposed in the HUD-approved grant applications.

Following are examples of projects where open-space land had not been developed or had been developed only partially for parks and recreational purposes.

Grantee A

In June 1966 HUD awarded a city a grant of \$182,944, equivalent to about 50 percent of the cost of acquiring about 15 acres of undeveloped land. The grant funds were disbursed in July 1967.

The city stated in its application for Federal financial assistance that it planned to develop the land for park and recreational purposes and to use its own funds for the development.

We found that, at the time of our visit to the site in October 1970--about 39 months after HUD disbursed the grant of \$182,944--the land had been developed only partially. City officials informed us that about two fifths of the land had been developed for recreational activities during 1971 at a cost of about \$400,000. They said that the remainder of the land--about 9 acres--would not be developed for 3 or 4 years because local funds were not available.

Grantee B

In July 1965 HUD awarded a city a grant of \$7,500, equivalent to about 30 percent of the cost of acquiring about 70 acres of open-space land for recreational purposes. The grant funds were disbursed in January 1966.

The city's application for financial assistance showed that the city planned to develop a bathing beach at the site and to construct bathhouses and picnic and camping areas. The application did not contain any data on the source of funds for the proposed development.

At the time of our visit to the project in December 1970--about 59 months after HUD paid the grantee--no development of the land had taken place. City officials informed us that an attempt to obtain financial assistance from surrounding local communities to develop the land was not successful and that, without such assistance, the development of the land could not be carried out.

The city officials also stated that a plan had not been prepared for developing the land and that financial assistance for developing the land had not been requested from the State or from HUD because the city did not have the matching funds that would be required.

Grantee C

In April 1967 HUD awarded a city a grant of \$176,780, which represented about 50 percent of the cost of acquiring 352 acres of undeveloped land. HUD paid the grantee \$158,640 in September 1967, \$9,570 in March 1968, and \$8,570 in February 1969. The city planned to develop the land into a regional park which would include picnic areas, golfing, camping, hiking, and fishing facilities.

At the time of our visit to the project site in October 1970--about 20 months after the final payment of the grant--the land had not been developed. We were informed by city officials that the land was in the same natural state as it was when acquired. They stated that the city did not have sufficient funds to develop the land into a regional park.

Grantee D

In April 1967 HUD awarded a small community a grant of \$10,875, equivalent to about 50 percent of the cost of acquiring 5 acres of undeveloped land located in an urban area. The grant funds were disbursed in August 1968.

The community's application for Federal financial assistance showed that it planned to use the land for a storm-water retention basin and to develop part of the land for parks and recreational purposes and that the community would provide the funds for improving and developing the land.

We visited the project site in December 1970. Community officials told us that the community did not have sufficient funds to implement the planned development of the land and that the land was to be transferred to the city park district so that it could be developed along the lines originally planned. According to the community officials, the park district had certain taxing authority and, therefore,

would be in a better position than the community to provide the funds to develop the land.

We again visited the project site in July 1971--about 35 months after HUD paid the grantee--and noted that the land had not been developed. Community officials said the land would not be transferred to the park district until sometime in 1972.

HUD-APPROVED OPEN-SPACE LAND PROJECTS
NOT SUITABLE FOR THE GUIDANCE OF
FUTURE URBAN DEVELOPMENT

Public acquisition of land to help curb urban sprawl and prevent the spread of urban blight are included among the basic purposes of the Open-Space Land Program as specified by the Congress and as emphasized by HUD in its guidelines to applicants. HUD provides Federal financial assistance to grantees to acquire land for the purpose of shaping future urban growth in cases where such land acquisitions demonstrably guide future urban development or redevelopment.

HUD regulations provide that applications for financial assistance in acquiring land for urban development be reviewed and approved on the basis of the degree to which projects effectively guide future urban growth.

Our review showed that HUD had awarded grants for certain projects on the basis that the land acquired would help guide future urban development or redevelopment, but it appeared that the land was no longer suitable for such purposes. We noted that, in some of these cases, the urban growth anticipated at the time the grants were made had not materialized. Examples of projects where these conditions existed follow.

Grantee A

In February 1965 HUD awarded a county a grant of \$72,129, which represented about 30 percent of the cost of acquiring 321 acres of undeveloped land to be used for shaping future urban growth and development. The grant funds were disbursed in October 1965.

In its application for financial assistance, the county stated that it planned to develop the land into a golf course, a camping ground, a picnic area, and play fields. At the time of our visit to the project site in October 1970, 60 months after HUD disbursed the grant, the land still was being held by the county for the purpose of shaping future urban growth and development. County officials told us that, at the time the land was acquired, extensive

urban growth was anticipated in the immediate area because of the development of a large industrial complex.

County officials said that, because the population in the immediate area had declined, the industrial complex had not been developed as anticipated and that future industrial development of the land was not expected for at least another 10 years. They also told us that the land had been leased as a pasture from 1966--about 1 year after it was acquired.

Grantee B

In May 1966 HUD awarded a park district a grant of \$22,300, which represented about 50 percent of the cost of acquiring 51 acres of undeveloped land to be used for shaping future urban growth. The grant funds were disbursed in September 1966.

The park district's application for financial assistance showed that the land was adjacent to a small airport and to other land areas which were expected to be subdivided for urban development.

At the time of our visit to this site in December 1970, the land had not been used for shaping urban development and 35 acres had been leased for agricultural purposes. Grantee officials informed us that, about a year after the land had been acquired, they recognized that the anticipated urban development in the area would not materialize. They also said that, because airport officials desired to acquire the land, they had been considering exchanging the land for other land which may be more suitable for park and recreational purposes.

As of June 1971 action had not been taken by the grantee to exchange this land for other open-space land.

GRANTEES TRANSFERRED INTEREST
IN OPEN-SPACE LAND WITHOUT HUD APPROVAL

HUD regulations provide that grantees that acquire land with Federal financial assistance not convert the land to uses other than those stated in the HUD-approved grant applications without obtaining prior HUD approval based on assurances by the grantees that other open-space land of an equal value, of equivalent usefulness, and located in an equally suitable area will be substituted at the time of the conversion and that proposed uses of the converted and substituted land are in accordance with the orderly development and growth of urban areas.

We found that land acquired by grantees with Federal financial assistance had been converted to other uses without obtaining the prior approval of HUD and that the land had not been replaced by other open-space land. Several examples follow.

Grantee A

In September 1964 HUD awarded a county a grant of \$136,620, or about 30 percent of the cost of acquiring 124 acres of land for park and recreational purposes. HUD paid the grantee \$72,054 in April 1968 and \$64,566 in October 1969.

The county, without the knowledge or approval of HUD, transferred 41 acres of this land to the General Services Administration in October 1968. The General Services Administration declared the property surplus and transferred it to the Department of Health, Education, and Welfare. The Department, in turn, transferred the land to the county to be used as a college campus.

We brought this case to the attention of HUD officials who advised us that the transfers of the land were in violation of the HUD open-space grant contract. Subsequently HUD officials informed us that the county had been notified that the land that was conveyed to the General Services Administration and later was acquired for use as a college campus must be replaced with other open-space land suitable for parks and recreational purposes.

A county official told us that the county's transfer of the land without HUD's approval was made inadvertently and that the county, in cooperation with HUD, was seeking suitable land to be substituted for the transferred land.

Grantee B

In June 1963 HUD awarded a State agency a grant of \$73,950, which represented 30 percent of the cost of acquiring about 150 acres of open-space land for the purpose of establishing a 2,500-acre historical park. HUD paid the grantee \$57,767 in August 1965 and \$16,183 in January 1968.

The grantee, without HUD's knowledge or approval, granted another State agency a permanent easement on about 9 acres of the land and allowed the agency to construct a road on the land. The road was restricted to use by State and local government officials.

In October 1970 we brought this case to the attention of HUD regional office officials who advised us that the State exercised control over and also made use--for approved open-space program purposes--of the land under the permanent easement. Although the land remained under the control of the State, HUD, in our opinion, should have been advised by the grantee that it desired to grant an easement for part of the land.

HUD officials told us that the road on the land was being used to service a wildlife sanctuary and that it would also be used in servicing the land as an historical park.

GRANTEES FAILED TO IDENTIFY
OPEN-SPACE LAND FOR PUBLIC USE

HUD regulations state that grantees shall erect on each open-space project a sign to clearly identify the project and to provide information to the public on the planned use of the land. These signs are to show that the land was acquired for development under the federally assisted Open-Space Land Program.

We noted that, at certain of the project sites that we visited, grantees had not erected the required signs. Further we were informed by grantee officials at some project sites that the public had made only nominal use of the open-space land. We believe that the failure of the grantees to properly identify open-space land available for recreational activities, art exhibits, nature studies, and similar purposes, in some cases, may have contributed to the apparent limited public use of the land.

Following are examples of projects where grantees failed to identify open-space land for public use.

Grantee A

In November 1966 HUD awarded a city a grant of \$35,887, which represented about 50 percent of the cost of 1 acre of land. The grant funds were disbursed in May 1967. The grantee's application stated that the land was to be used for the development of a scenic park and that the house on the land was to be used by community groups for clubrooms, meeting rooms, and related purposes.

Grantee officials informed us that they had allowed a local elementary school to use the house from 8 a.m. to 3 p.m. on Mondays through Fridays and one community organization to use the house each Thursday evening. They also stated that the public generally did not request to use the land because it appeared to be privately owned.

We noted that the grantee had not erected signs to identify the land as having been acquired with Federal financial assistance under the Open-Space Land Program.

Grantee B

In March 1964 HUD awarded a city a grant of \$97,863, which represented about 30 percent of the cost of acquiring about 41 acres of land to be used for special recreational activities, such as concerts, art exhibits, nature studies, and painting and sketching exhibits. The city's grant application stated that the land would be maintained as a wooded estate and that the 30-room mansion on the land would be developed into a historic landmark and would be used as a conference center for educational groups, government bodies, and business and industrial organizations.

City officials told us that the building had been used on several occasions by educational groups but that the financial assistance expected from private sources for restoring and developing it into a research and conference center had not been provided. City officials told us also that the land was closed to the general public and that they did not expect that it would be developed for the purposes originally planned by the city and approved by HUD. The officials stated further that, although the city intended to use the building for a conference center, it had not intended to make the land available for the use of the general public.

At the time of our visit, the land was enclosed by a fence and was not open to the public. Signs at two of the entrances stated that the land was city-owned property.

City officials told us that the city permitted employees of a manufacturing firm located near the site to have access to the land during their lunch periods.

Grantee C

In August 1966 HUD paid a county forest preserve district \$28,452, which represented about 50 percent of the cost of acquiring 86 acres of undeveloped land. The grantee's application indicated that the open-space land was suitable for historic and scenic purposes and that part of the land would be used for parks and for recreational and conservation purposes. HUD records showed that the county intended to provide funds for developing nature

trails and other similar low-maintenance uses of the land but planned to rely on nearby cities, park districts, and community-oriented agencies to establish and finance supervised recreational programs at the site.

County officials told us that the land acquired with Federal assistance had not been developed because of the small demand for park and recreational facilities in the area. They told us also that in January 1970 the State acquired about 1,100 acres of land located near the open-space land, which it planned to use for a State park. They said that the county did not develop the open-space land because the county believed that its development would result in duplication of recreational facilities in the area.

At the time of our visit, the open-space land was not identified as land acquired with Federal financial assistance and was completely enclosed by a fence and a gate which was locked. County officials said that the land had been used for grazing purposes and that the county did not plan to make any of the land available for use of the general public until the land was returned to its natural state. We noted, however, that the county had permitted certain community groups, such as the Boy Scouts of America that owns adjacent property, to make use of the land.

HUD RESERVED FUNDS FOR OPEN-SPACE LAND
PROJECTS FOR LONG PERIODS OF TIME

HUD, under its procedures of reserving Federal grant funds for open-space land acquisitions,¹ continued to reserve Federal funds for certain grants, even though

- long periods of time had elapsed before HUD awarded grant contracts,
- the period of the grant contracts had expired and grantees had not requested extensions,
- the extended period of grant contracts had expired and grantees had not requested extensions,
- grantees did not have the necessary funds to develop the land as originally planned, and
- open-space land projects for which funds were reserved were either canceled or completed.

HUD reserves funds for the full amount of open-space land grants at the time it approves applications from State and local public bodies for Federal financial assistance to acquire or develop open-space land. Generally HUD does not disburse the grant funds until the grantees make expenditures to acquire the land or, in some cases, complete certain levels of development of the land.

HUD notifies applicants of its approval of their applications for financial assistance in acquiring and developing open-space land and advises them of the conditions that must be met before a grant will be awarded. This notification is the official authorization for the grantee to proceed with its acquisition or development of the land. Normally, within 30 days after such notification, HUD executes a grant contract which includes the terms and conditions applicable to the open-space land project.

¹ HUD reserves Federal funds for land acquisitions and development at the time it approves grant applications; in effect, specific amounts of Federal funds are earmarked for individual acquisitions.

HUD disburses open-space land grant funds as costs are incurred by the grantees. The amounts reserved may be paid in a single sum or in several partial payments as a project reaches certain levels of completion.

HUD regulations governing the funding of the Open-Space Land Program provide that Federal funds reserved for a project be available only for the approved contract performance period, usually about 1 year, but that funds be reserved for longer periods if a grantee requests an extension of the contract period--with appropriate justification--and if HUD approves the request.

From inception of the Open-Space Land Program in 1961 to June 30, 1970, HUD allotted Federal funds of about \$312 million for grants to assist in financing the acquisition and/or development of open-space land. As of that date HUD had disbursed about \$138 million and had reserved about \$174 million--about 56 percent of the \$312 million allotted. The funds reserved included funds for projects which were involved in litigation, such as land condemnations. In view of the significant amounts of Federal funds reserved for grants in relation to the amounts of funds disbursed, we examined into certain aspects of HUD's procedures for reserving open-space land grant funds.

Our review showed that, for certain open-space land projects, HUD continued to reserve Federal funds for long periods, even though the grant contract performance periods had expired and the grantees had not requested extensions. Our review showed also that for other projects HUD continued to reserve funds although the extended contract periods had expired and no further extensions of the contract periods had been requested. In addition, we noted that HUD had reserved funds for projects which would not be implemented in the near future because the grantees did not have local funds to develop the land as originally planned.

It appears that in such cases the Federal funds reserved may--in the absence of corrective action by HUD--continue to remain in this category for additionally long periods of time. As illustrated in the following table, funds have been reserved for periods ranging from 20 to

40 months. The funds were reserved prior to March 31, 1969, for projects that were not involved in litigation.

<u>Number of Projects</u>	Periods for which funds were reserved <u>by HUD</u>	<u>Amount</u>
15	20 to 24 months	\$1,800,000
20	25 to 36 "	4,000,000
<u>3</u>	37 to 40 "	<u>200,000</u>
<u>38</u>		<u>\$6,000,000</u>

Also we noted that, for 31 projects which were involved in litigation proceedings, Federal funds of \$4.9 million had been reserved for periods up to 73 months. We recognize that such proceedings often result in significantly deferring the date when grantees can acquire the land. Nevertheless, in many of these cases, HUD continued to reserve funds even though the contract performance periods expired and grantees had not requested HUD's approvals of extensions.

In fiscal year 1970, in the three HUD regions where we made our review, States and local public bodies were advised by HUD in 35 cases that their requests for Federal assistance in the aggregate amount of about \$8 million either had been rejected or would be deferred until after fiscal year 1970 because Federal funds were not available. We noted that, for one of these regions, HUD continued to reserve funds of about \$2.3 million for 16 projects during the period March 1969 through September 1970, even though the grantees' contract performance periods had expired.

Following are examples of projects for which HUD reserved grant funds for long periods, although the grantees had not demonstrated that extensions of the contract periods were warranted.

Grantee A

In June 1968 HUD approved the award of a grant of \$70,000 to a local agency to assist in acquiring and developing 5 acres of open-space land to be used for the

development of a park which would include basketball courts, handball courts, a playground, and a picnic area.

HUD awarded the grant contract in September 1970-- about 27 months after the funds were reserved. The contract provided that the grantee acquire the land within a month. HUD officials told us that the contract had not been awarded earlier because several local agencies, which were to approve the proposed plan for the development of the land, could not reach an agreement on the plan.

The grantee acquired the land in March 1971, at which time HUD paid the grantee \$54,450. This was about 5 months after the contract performance period expired and about 33 months after HUD reserved \$70,000 for this project.

The grantee did not request an extension of the contract period. As of June 1971 the grantee had not begun to develop the land; however, HUD continued to reserve funds of \$15,550 for its development.

Local agency officials told us that the agency did not expect to start developing the land until an urban renewal project surrounding the park area was initiated.

Grantee B

In June, September, and November 1968, HUD approved three applications for open-space land grants submitted by a park district. For these three projects, HUD reserved \$1.7 million to assist the park district in acquiring 993 acres of open-space land and in developing a certain section of the land for park and recreational areas.

As of June 1971 the park district had not submitted all the required appraisal reports on the land to be acquired under the three projects. Although the HUD grant contract performance periods for the projects expired between June 1970 and January 1971, the park district did not request an extension of the contract performance periods.

A grantee official advised us that the acquisition of the land had been delayed because of problems encountered in acquiring the land. He said that the land might be acquired in 1972.

As of June 1971 significant amounts of Federal funds had been reserved for these projects for periods up to 36 months.

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At the three HUD regional offices included in our review, we noted that at September 30, 1970, Federal grant funds of \$76,000 were reserved for 10 open-space land projects, even though some of the projects had been canceled and others had been completed for periods ranging from several months to about 3 years. HUD officials said that the regional offices had not removed the funds from the reserved category because a formal notice of cancellation or, in the case of the completed projects, final payment had not been identified by regional office representatives.

After our discussion of these cases with HUD regional officials, action was taken to remove the funds from the reserved category.

CHAPTER 3

CONCLUSIONS, RECOMMENDATION, AND

AGENCY COMMENTS AND ACTIONS

CONCLUSIONS

As discussed previously, the Open-Space Land Program, the Urban Beautification and Improvement Program, and the Historic Preservation Program were consolidated into a single open-space land program, known as the Legacy of Parks Program. According to HUD this program--which became effective July 1, 1971--reflects the administration's commitment for improving the environment and for meeting the recreational needs of urban areas.

The basic purposes of the Legacy of Parks Program are similar to those of the Open-Space Land Program. Therefore HUD, in developing guidelines for the Legacy of Parks Program, should recognize the areas in need of improvement in the administration of open-space land program activities, as discussed in this report, to ensure that grantees comply fully with the provisions of the HUD-approved, open-space land grant contracts.

RECOMMENDATION

We recommend that HUD, in its current development of guidelines for the Legacy of Parks Program, provide for its regional office representatives to monitor grantees' activities to ensure that grantees are complying fully with the provisions of the HUD grants awarded for the acquisition and/or development of open-space land.

AGENCY COMMENTS AND ACTIONS

In a letter dated December 22, 1971, and in an attachment thereto (see app. I), HUD stated that early in 1971 it began a systematic effort to ensure that grantees comply with the conditions of the HUD grant contracts.

HUD stated that certain of its regional offices had made visits to open-space land projects and that, in those cases where unauthorized leasing of land by grantees was

noted, a determination was made as to whether such leasing impeded the eventual use of the land and whether grantees had complied with the appropriate Federal regulations. Also grantees were instructed that new leases were to be of limited duration--1 to 2 years--and that the revenues resulting from such leasing activity was to be set aside for park and recreational purposes. HUD also urged grantees to set aside the revenues they received from their prior leasing activities but took no action in those cases where grantees had used these leasing revenues for other purposes.

HUD said that these monitoring efforts had been interrupted in the spring of 1971 because of the transfer of management of the Open-Space Land Program from its Office of Metropolitan Planning and Development to a new Office of Community Development and because of the consolidation of the Open-Space Land Program into a new program, known as the Legacy of Parks Program.

HUD stated that it planned to resume monitoring program activities and, as part of this effort, grantees would be required to report regularly to HUD whether they were using the open-space land in accordance with the HUD grant contract provisions. HUD also said that grantees not submitting this information would be subject to site visits and appropriate action by HUD.

HUD stated that the projects reviewed by GAO were selected before HUD had established a formal project selection system designed to eliminate low-priority projects. HUD pointed out that, under its revised selection system for the Legacy of Parks Program, the commitment of local officials would be emphasized to screen out those open-space land projects which might not be developed by the communities.

HUD added further that, because of limited funds, early in the program it had emphasized the acquisition rather than the development of open-space land. HUD stated that the acquisition of land--although not immediately developed--did benefit communities because it precluded incompatible development of the land from taking place.

With regard to the approval of open-space land projects that were not suitable for the guidance of future urban development, HUD stated that poor planning at the local level appeared to be responsible for the failure of grantees to accurately judge the direction of future growth. HUD stated also that, although it was difficult to guard against such planning errors, the establishment of its area offices in major cities under its reorganization would make it possible for the HUD field staff to be more closely familiar with local situations and therefore be able to judge the accuracy of projections of future urban growth.

With regard to the grantees' failure to identify open-space land for public use, HUD stated further that, as a result of the establishment of area offices, HUD field staff members would be in a better position to ensure that grantees comply with its procedures relative to the erection of project signs.

In conclusion, HUD stated that the Legacy of Parks Program project selection system would tend to produce projects that urgently were needed by the community and that, as a result, the community should use promptly Federal funds awarded for such projects. HUD added that, as part of its monitoring procedures, its regional staff would review projects for which funds had been reserved for long periods and that procedures were being developed for terminating such projects.

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The actions taken and planned by HUD if fully implemented should help to correct the weaknesses noted during our review and to improve the administration of the new Legacy of Parks Program.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

DEC 22 1971

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY DEVELOPMENT

IN REPLY REFER TO:

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Mr. B. E. Birkle
Assistant Director
General Accounting Office
451 7th Street, S.W. - Room 4170
Washington, D. C. 20410

Dear Mr. Birkle:

The Secretary has asked me to respond to your draft report "Improvements Needed in the Administration of the Open Space Land Program," dated October 12, 1971. We are pleased to have this opportunity to comment on the report. Many of the points raised in this current GAO document are closely related to the published GAO report dated June 16, 1971: "Controls Needed Over the Leasing of Land Acquired Under the Open Space Land Program" and to our follow-up correspondence with Congressman Monagan. A copy of our recent letter to Congressman Monagan dated December 2, 1971 is attached.

We will be expanding our follow-up of Regional and Area Office activity that was outlined in our response to Congressman Monagan to assure specific management response on the points raised in this current draft GAO report. There are some general comments on each of the basic points raised by the GAO that will provide some general background on the issues.

Open Space Land Not Developed for Park and Recreational Purposes

Most of the sites in the study were chosen before imposition of a formal project selection system in the middle of fiscal year 1967. That selection system was designed to take into account factors such as imminence of development in the area of proposed site, possible danger of loss of the site to other development, and evidence of the applicant's intention to develop the site for immediate use. These criteria should tend to eliminate projects of low priority.

A new Legacy of Parks selection system, which has been developed to supersede the 1967 Open Space project selection system, will place heightened emphasis upon the commitment of local officials to carrying out a proposed project. This will support efforts to screen out projects for which a community might be apt to default or delay implementation.

APPENDIX I

The projects studied here were approved under the old rules where there were limitations on the amount of development. No major construction was allowed under the Open Space Programs under the previous authorities. The limitations on major construction was first defined as \$25,000 and then as \$40,000. Also, under the undeveloped land portion of the old program, there was a limit on development of 12½ percent, or \$25,000 of the cost of development. Present rules for the Legacy of Parks Program allow for support to a much greater variety of development activities. This increased development assistance to localities should encourage a quicker development of open space.

Acquiring land, even though it is not immediately developed, can be of benefit to the community. Such land does form an open space resource for the community. Incompatible development is kept from taking place on such land. During the early days of the program, given extremely scarce funding, acquisition was generally emphasized. Now the program has greater resources with which to assist development activities.

HUD-Approved Open Space Land Projects Not Suitable for the Guidance of Future Urban Development

In the cases cited in the report where sites were acquired to shape urban growth that later failed to occur, poor planning at the local level would seem to be responsible for the failure to judge accurately the direction of future growth. It is difficult for HUD to guard against such planning errors; however, the HUD reorganization by establishing Area Offices in major cities will make it possible for HUD staff to be more closely familiar with local situations, and better able than before to judge the accuracy of these kinds of projections.

HUD has gone through transitional phases with planning requirements. Under new areawide planning requirements better plans are being developed with better coordination. This should allow for a better basis on which to select projects that guide urban growth.

Grantees Transferred Interest in Open Space Land Without HUD Approval

Our December 2, 1971 response to Congressman Monagan on the June GAO report indicates that the Department began a systematic effort to tighten up compliance by grantees of completed projects early in 1971. Questionnaires and certificates were developed. Extensive site visits were begun in some Regions. Unfortunately, however, this stepped up monitoring effort was interrupted in the Spring of 1971 because of changes in legislation and changes in the staff organization at HUD Central and Regional Offices.

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Basic changes in the organization and program have been completed. The Area Offices should be in a position to monitor grantee activity during the balance of the current fiscal year. The issues of transferred interest in open space land without HUD approval will be addressed through a certificate procedure. All past grantees will be required to certify annually whether or not they have leased property and whether or not they continue to use the land acquired with Federal support in accordance with the contract. In the certificate, they will be required to describe any variation from the proposed use. Grantees who fail to submit certificates or who describe any leasing activity or changed land use not clearly in conformance with the statute and contract will be the subject of site visits and appropriate action. In addition, site visits will be paid in all Regions on a sample basis.

Grantees Failed to Identify Open Space Land for Public Use

It has been a requirement of the program that projects have a sign located on them stating that the project was assisted by one of the Open Space Programs. With the new Area Office set-up, the Regional and Area Office staff will be in a better position to explain HUD's procedures with regard to the erection of project signs and to insure that they are being complied with.

HUD Reserved Funds for Open Space Land Projects for Long Periods of Time

The present project selection systems will tend to produce projects that are urgently needed by the community. As a result, the community should be using funds relatively quickly for such projects. The involvement of the Mayor should also help insure that approved funds are used more quickly.

HUD Regional and Area staff will review projects that have been in a reservation status for a long time as a part of our improved monitoring of approved projects. Procedures are being developed on terminating projects that have been in reservation status for a long time.

* * * * *

The GAO draft audit necessarily emphasizes current problems in program management based on a small sample of projects from selected areas of the country. This report is based on 26 projects of a total of 3,474 approved as of June 30, 1971. Overall accomplishments of the Open Space Land Program are impressive. Since the inception of the program, over 1,000 local units of government have been assisted in acquiring approximately 348,000 acres of urban open space with grants of an estimated \$442 million for projects whose total acquisition costs are about \$800 million.

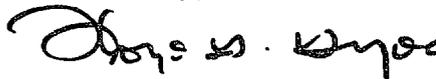
APPENDIX I

Since 1967 the character of the Open Space Land Program has changed in major ways. For example, in 1970, a successful attempt was made to raise the percentage of grants going into low income neighborhoods. All cities, urban areas, special districts, counties, and States are potentially eligible for Open Space Land Programs assistance. A major program emphasis continues to be on assisting jurisdictions within high density, rapidly growing metropolitan areas, as envisioned in the "Legacy of Parks" in the President's environment message. Approximately 10% of the total program is devoted to projects serving smaller towns and communities outside metropolitan spheres of influence.

In addition to assisting with planning attractive and economic urban growth, many open space, historic preservation, and urban beautification and improvement projects have sparked additional local home improvement, rehabilitation and community improvement efforts. These have ranged from clean-up and fix-up campaigns to citizens requesting street repairs and better services such as libraries, schools, trash collection, and medical facilities.

We will be taking a number of specific actions to improve the administration of the Legacy of Parks Program. Reports on the status of these activities will be included in further responses to Congressman Monagan. We are pleased to have this opportunity to comment on this report. My staff is ready to provide you with any additional assistance or information that you may require.

Sincerely,



Floyd H. Hyde

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY DEVELOPMENT

IN REPLY REFER TO:

DEC 2 1971

Honorable John S. Monagan
House of Representatives
Washington, D.C. 20514

Dear Mr. Monagan:

This is a further response to our letter of September 27, 1971, concerning your inquiry on how the Department of Housing and Urban Development plans to improve administration of the Open Space Land program. The program was the subject of a General Accounting Office report in June 1971 and of a draft GAO report dated October 12, 1971. My office is preparing a response to the latest draft report at this time, but I wanted to report to you on our management plans before completing the formal response.

Early in 1971, the Department began a systematic effort to tighten up on compliance with contract conditions by grantees on completed projects. Particular attention was paid to post approval management, particularly the question of leasing, and of changed uses of land. These two subjects were noted by GAO. Questionnaires and certificates were developed and a program of extensive site visits was begun in some Regions. Unfortunately this stepped-up monitoring effort was interrupted in the spring of 1971 because of major changes in program legislation, and changes in the staff organization at HUD Central and Regional Offices. Management of the Open Space Land program was shifted within HUD at that time to a new, functionally organized grouping of Community Development programs. Our Central Office and Regional Office reorganization was completed during the summer and early fall of this year. The last 16 Area Offices were opened on September 30, bringing the total to 39 opened since September 1970.

APPENDIX I

This new organization is already providing many benefits to the communities the Department serves. Among other things, it puts us in a better position to provide coordinated assistance and response to communities that link their open space proposals with other local and Federally financed Community Development activities.

Before the interruption of our efforts to follow-up on approved Open Space projects, five of our ten Regional Offices had initiated substantial compliance activity. All of these have used site inspections to some degree. Two have established regularized follow-up procedures beyond the first review. Two Regional Offices issued questionnaires, tabulated results and followed up on the small number of irregularities that were noted. Where unauthorized leasing had taken place, the grantee was instructed that the lease should be forwarded to HUD for review. Reviews were made to determine that leasing was not an impediment to the timing and eventual use of the site and that all Federal regulations were being complied with. In addition, grantees were instructed that new leases should be prepared specifying a limited duration of 1-2 years, as appropriate, with assurances that any monies derived be earmarked for park and recreation purposes. While grantees were urged to direct any prior lease receipts into park and recreation activities, no directives or sanction as such were taken against the grantees for previous arrangements for disposition of funds from leasing of land purchased with funds from the Open Space program.

Efforts at follow-up on projects were also delayed as a result of new legislation affecting the Open Space Land program that became effective July 1, 1971. This involved the consolidation of three previous programs into a new single program known as the Legacy of Parks program. A handbook on the new program is currently being prepared. Project selection systems with many common elements are ready for implementation for a number of Community Development programs, including Open Space. We are therefore finally in position to resume monitoring activities of the sort interrupted earlier this year. Specifically, our field staff will look closely at:

1. Leasing of facilities, and the use of leasing proceeds.
2. Changed uses of land.
3. Instances in which proposed development or land acquisition is significantly behind schedule.

The first two issues will be addressed through a certificate now being prepared by our Department. In addition to the initial certification, all past grantees will be required to certify on a regular basis whether or not they have leased property and whether or not they continue to use the land acquired with Federal support in accordance with contract. They will also be required to describe and justify any variation from the agreed land use or related arrangements. Grantees who fail to submit certificates or who describe any leasing activity or changed land use not clearly in conformance with the statute and contract will be the subject of a site visit and appropriate action. In addition, site visits will be made in all Regions on a sample basis and follow-up will be made on projects which are slow in acquiring or developing land.

We believe that this combination of certification by all grantees, backed up by Federal verification where called for and by random visits, should provide adequate control to correct and prevent the major types of misuse referred to by GAO.

Sincerely,

 Deputy
for

Floyd H. Hyde
Assistant Secretary

APPENDIX II

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HOUSING AND URBAN DEVELOPMENT (note a):		
Robert C. Weaver	Feb. 1961	Dec. 1968
Robert C. Wood	Jan. 1969	Jan. 1969
George W. Romney	Jan. 1969	Present
ASSISTANT SECRETARY FOR METROPOLITAN PLANNING AND DEVELOPMENT:		
Charles Haar	July 1967	Jan. 1969
Samuel C. Jackson	Feb. 1969	Feb. 1971
ASSISTANT SECRETARY FOR RENEWAL AND HOUSING ASSISTANCE (note b):		
Don Hummel	July 1966	Feb. 1969
Howard J. Wharton (acting)	Feb. 1969	Mar. 1969
Lawrence M. Cox	Mar. 1969	Feb. 1970
ASSISTANT SECRETARY FOR COMMUNITY DEVELOPMENT (note c):		
Floyd H. Hyde	Mar. 1971	Present

^a Formerly the Administrator, Housing and Home Finance Agency.

^b Responsibility for section 705 of the Housing Act of 1961, acquisition of developed land, was transferred to the Assistant Secretary for Metropolitan Planning and Development in February 1970.

^c Effective March 1, 1971, responsibility for the administration of the Open-Space Land Program was transferred from the Office of Metropolitan Planning and Development to the newly established Office of Community Development.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

Copies are provided without charge to Members of Congress, congressional committee staff members, Government officials, members of the press, college libraries, faculty members and students. The price to the general public is \$1.00 a copy. Orders should be accompanied by cash or check.