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[Leasing of Housing at the Former Walker Air Force Base, Roswell, New Mexico]. LCD-78-309; B-157391. January 25, 1978. 1 pp. + 1 enclosure (5 pp.).

Report to Rep. Harold Runnels; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (700).

Contact: Logistics and Communications Div.

Organization Concerned: Department of Defense; Department of the Air Force.

Congressional Relevance: Rep. Harold Runnels.

Authority: 5 U.S.C. 5911. OMB Circular A-45. F.P.M.R. 101-47.402.

A review was conducted of the operation by the Roswell Housing Authority of the former Walker Air Force Base housing in Roswell, New Mexico. A summary of the findings includes: an evaluation of whether the 1977 rent reappraisal was performed in accordance with Federal regulations and whether substantial increases in rent since the 1975 reappraisal were reasonable; information on the responsibility for handling tenants' complaints and the Air Force's investigation of tenants' allegations; the financial data on mortgage payments; and the costs of managing the housing through the Roswell Housing Authority. (SW)



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

B-157391

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The Honorable Harold Runnels
House of Representatives

Dear Mr. Runnels:

JAN 25 1978

On September 21, 1977, you asked us to review the operation by the Roswell Housing Authority of the former Walker Air Force Base housing, Roswell, New Mexico. On December 1, 1977, we briefed you on our findings. Enclosed is a summary of those findings and other information requested.

Our summary includes:

- Our evaluation of whether the 1977 rent reappraisal was done in accordance with Federal regulations and whether substantial increases in rent since the 1975 reappraisal were reasonable.
- Information on the responsibility for handling tenants' complaints and the Air Force's investigation of tenants' allegations in response to your request.
- The financial data on mortgage payments.
- The costs of managing the housing through the Roswell Housing Authority.

As you suggested we have not obtained any comments from the Air Force on this matter. The report will be released for distribution 14 days after this date.

Sincerely yours,

Comptroller General
of the United States

Enclosure

LCD-78-309
(945333)

LEASING OF HOUSING AT THE
FORMER WALKER AIR FORCE
BASE, ROSWELL, NEW MEXICO

In 1967 the Walker Air Force Base, Roswell, New Mexico, closed, and 801 base homes were vacated. The City of Roswell created the Roswell Housing Authority, which manages the Air Force housing under a protection and maintenance contract. Under this contract, the Air Force pays the salaries of the Housing Authority staff and the costs incurred by the Housing Authority for renting and maintaining the homes. Rent was to be set by a rental appraisal made in accordance with the Office of Management and Budget policy.

In April 1977, a General Services Administration re-appraisal of rents for the base housing resulted in sizable rent increases. This and allegations from base housing tenants regarding the handling of complaints by the Housing Authority were the primary matters we reviewed.

1977 RENT REAPPRAISAL

Office of Management and Budget Circular A-45, implementing 5 U.S.C. 5911 (1976), states the policy governing charges for government-owned rental quarters and related facilities. Circular A-45 says that rental rates "shall be based upon the reasonable value * * * in the circumstances under which provided, occupied, or made available." In determining the reasonable value, the General Services Administration appraiser used the Basic Rent Principle of Circular A-45, which states:

"When rental quarters are located within or adjacent to * * * an established community which offers a rental housing market, basic rental rates will be set at rates prevailing for comparable private housing in and adjacent to that community."

In the 1975 reappraisal, 39 private properties were used for comparative purposes; in the 1977 reappraisal, 63 properties were used. The number of comparative properties to be used is at the discretion of the appraiser. The appraiser said he used a larger sample of comparable housing in the 1977 reappraisal because more comparable housing data was available, and he wanted to be as fair as possible to the Roswell Housing Authority tenants.

While in Roswell, we examined both the inside and outside of several types of homes to be rented out by the Housing Authority. We also examined from the outside 15 private properties used for comparability in the 1975 and 1977 reappraisals. This was done to get some perspective of the comparability base. After viewing both sets of homes, we concluded that the General Services appraiser's comparison was fair to the occupants of the Housing Authority.

The appraiser computed a square footage rate, plus or minus charges to tenants for stoves or refrigerators, to calculate the rental rate for each type and size of housing. These rates were then implemented by the Housing Authority. The square footage rate is comprised of two factors: a rate for living space and a rate for utilities.

To determine the living space rate, the appraiser viewed each of the private homes used in the comparison and considered differences in the size, location, age, type of construction, and condition of the Housing Authority units. Deductions for such factors are limited by Circular A-45 to a maximum of 50 percent of the basic rental rate. In the 1975 reappraisal these factors resulted in a rate per square foot which was about 42 percent less than rates for comparable properties in Roswell. In the 1977 reappraisal the rate was about one-third less. According to the appraiser, he arrived at a lower percentage reduction in 1977 because there was a greater demand for the Housing Authority homes in 1977.

The rate per square foot for utilities was determined by dividing the prior year's actual utility costs into the square footage of the housing units rented. Because of the large utility cost increases since the 1975 reappraisal, the utility company's estimate of increases through the end of the year was included in the April 1977 reappraisal. Those estimated increases were: 5 percent for electricity; 10 percent for gas; and 50 percent each for water, sewage, and garbage collection.

In November 1977 an electric company official said the 5-percent estimated increase for electricity is a reasonable estimate depending on the severity of the weather in the next 2 months, and a 10- to 15-percent increase will be requested sometime next year. A gas company official told us that, due to a change from a volume rate to a British thermal unit rate, the increase for gas for the last 3 months of 1977 will be about 20 percent. In November 1977 a Roswell city official stated that the estimated 50-percent increase looks more like

a 200-percent increase in the water rate, a 150-percent increase in the sewage rate, and a 53-percent increase in the garbage collection rate. Substantial increases were needed to purchase and install new water and sewage lines, drill new water wells, purchase new garbage collection trucks, and eliminate the losses incurred from the rising costs of garbage collection.

Although the utility rates included in the rents for government-owned rental housing are supposed to be comparable to the costs of such services for occupants of comparable private rental housing, gas and electric company officials contacted said that the Roswell Housing Authority tenants were paying lower rates in their rents than rates charged private housing tenants or owners.

The electricity rates for the Housing Authority are about 65 to 70 percent less than the rates for private housing because the former is charged a volume rate for voltage which it distributes through its own system.

The gas rate is about 20 percent less than the residential rate because the Housing Authority is charged the school, church, and local government rate.

INVESTIGATION OF TENANTS' COMPLAINTS

Congressman Runnels' office asked the Air Force to investigate tenants' complaints to the Housing Authority. The investigation was carried out by the Air Force administrative contracting officer at the Housing Authority. According to the contracting officer, it could have been conducted by the Air Force's Inspector General staff, which made a similar investigation in 1970 and determined that the complaints were unfounded. The contracting officer was ordered by the Chief, Procurement Division, Headquarters, 22nd Bombardment Wing of the Strategic Air Command, to do the investigation requested by Congressman Runnels.

The Federal Property Management Regulations, section 101-47.402-1, state that the holding agency (the Air Force in this case) shall retain custody and accountability for excess and surplus property, including related personal property, and perform the physical care, handling, protection, maintenance, and repairs of such property pending its transfer to another Federal agency or its disposal.

Air Force officials said that resolving tenants' complaints is the responsibility of the Housing Authority under the contract with the Air Force to protect and maintain the former air base housing. They also said that the primary functions of the Air Force contracting officer are to see that the Housing Authority meets its contractual obligations and to represent Air Force interests in regard to the contract.

We believe the Air Force interpretation of responsibilities is correct. We also note that, in addition to the regular Housing Authority complaint process, there is a Roswell Housing Authority Commission, which can review tenants' complaints not resolved through the regular complaint process.

MORTGAGE PAYMENTS

The 801 units of housing at Roswell were acquired by the Air Force in 1958 with mortgages totaling \$6,104,810.93. Mortgage payments, which include principal, interest, and mortgage insurance, are \$31,594.29 monthly or \$379,131.48 annually and are made by annual Air Force appropriations. The payments are not included as an expense item of the Air Force protection and maintenance contract under which the Housing Authority has managed the housing since Walker Air Force Base closed in 1967.

PROTECTION AND MAINTENANCE COSTS

If the protection and maintenance costs are greater than the rental income from the housing, the Air Force reimburses the Housing Authority. If the rental income exceeds protection and maintenance costs, the Air Force deposits the excess into the Department of Defense family housing management account.

The Air Force said that from 1967 through 1969 there was a reimbursement of \$186,266 to the Housing Authority. From 1970 through December 6, 1977, there was an excess of \$658,767 deposited in the Defense housing management account. The number of housing units leased has varied from 393 to 540 from 1970 through 1977, the average being 452.

CONCLUSIONS

The rent reappraisal of April 1977 was made in accordance with the policy guidelines of Office of Management and Budget Circular A-45.

Factors regarding utility estimates were discussed with utility officials. Current information indicates that most utility costs have risen higher than originally anticipated. Thus the rental rates, set as a result of the appraisal, do not realistically reflect the utility costs.

Although Circular A-45 addressed the comparability of utility costs for government rental quarters with the costs of such services to occupants of comparable private rental housing, most utility rates charged to the Roswell Housing Authority--subsequently passed on to its tenants--were less than those charged to comparable private housing.

Based on information gathered, we believe that the rents resulting from the April 1977 rent reappraisal of the former Walker Air Force Base housing were not excessive.