

DOCUMENT RESUME

07145 - [B2687738]

[Department of Housing and Urban Development Decision To Cancel 300 Units of Section 8 Housing for the Elderly in Harrisburg, Pennsylvania]. CED-78-150; B-171630. July 17, 1978. Released July 27, 1978. 4 pp.

Report to Rep. Allen E. Ertel; by Baltas E. Birkle (for Henry Eschwege, Director, Community and Economic Development Div.).

Issue Area: Domestic Housing and Community Development: Housing for Low and Moderate Income Families (2101).

Contact: Community and Economic Development Div.

Budget Function: Community and Regional Development: Community Development (451).

Organization Concerned: Department of Housing and Urban Development; Department of Housing and Urban Development: Philadelphia Area Office, PA; Harrisburg, PA: Community Development Office; Harrisburg, PA: Redevelopment Authority.

Congressional Relevance: Rep. Allen E. Ertel.

Authority: Housing and Community Development Act of 1974 (P.L. 93-383). United States Housing Act of 1937, as amended (42 U.S.C. 1437).

Review of the recent Department of Housing and Urban Development (HUD) decision to cancel 300 units of section 8 housing for the elderly in Harrisburg, Pennsylvania, did not disclose any shortcomings in HUD's actions. While some evidence presented at the time the project was initially approved by HUD questioned the need for the project, there was no evidence which indicated that the decisionmaking process which resulted in the allocation and cancellation of funds for the proposed project was amiss. (SC)

Released Date



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

7-27-78

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-171630

JULY 17, 1978

The Honorable Allen E. Ertel
House of Representatives

Dear Mr. Ertel:

In accordance with your April 14, 1978, request and subsequent agreements with you, we have made inquiries into your specific questions concerning the recent Department of Housing and Urban Development (HUD) decision to cancel 300 units of section 8 elderly housing in Harrisburg, Pennsylvania, and to determine whether the decisionmaking process was amiss.

We made our review at HUD headquarters in Washington, D.C.; the HUD area office in Philadelphia; and interviewed the Executive Director of the Harrisburg Redevelopment Authority and the Deputy Director of the Harrisburg Community Development Office.

On June 8, 1978, we briefed you on our review. As requested, this letter confirms the information provided you at that time.

Our review did not disclose any shortcomings in HUD's actions to cancel the proposed 300-unit project in Harrisburg. Also, while we found some evidence presented at the time the project was initially approved by HUD which questioned the need for the project, we were unable to find any evidence which indicated that the decisionmaking process which resulted in the allocation and cancellation of funds for the proposed project was amiss.

BACKGROUND

The Housing and Community Development Act of 1974 (Public Law 93-383, Aug. 22, 1974) amended the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) and added, under section 8, a new lower income housing assistance program.

CED-78-150
(38217)

Section 8 provides financial assistance to lower income families enabling them to lease existing, newly constructed, or substantially rehabilitated housing.

On September 2, 1977, HUD headquarters allocated to its Philadelphia area office an additional \$8,485,000 in fiscal year 1977 section 8 funds. The funds were provided with the stipulation that they would be earmarked for proposed projects by September 30, 1977.

APPROVAL AND SUBSEQUENT CANCELLATION
OF HARRISBURG PROJECT

In late September 1977, the former acting director of HUD's Philadelphia area office used these funds to allocate 300 units of section 8 elderly housing to Harrisburg, Pennsylvania. The allocation was made in response to an August 1977 Harrisburg Redevelopment Authority request that HUD approve a proposal by a developer to erect a 300-unit elderly high-rise project. In support of the proposal, the Harrisburg Redevelopment Authority submitted a Harrisburg Senior Citizen Housing Need Analysis study, dated August 1977, which cited an immediate need for these 300 elderly units.

HUD officials told us that a preapproved developer was possible in this case rather than requesting invitations for bids from prospective developers because the proposed project was to be built under the City's urban renewal program.

HUD records show that the then acting area office director allocated the 300 units to Harrisburg despite concerns expressed by his staff that the funds not be allocated to Harrisburg because elderly housing in the area would face a serious marketing problem. A September 15, 1977, memorandum from HUD's area office's economic and market analysis division to the then acting director pointed out that within a 10-mile radius of Harrisburg, a total of 740 new units of section 8 elderly housing had already been approved, and an additional 300 units were under review. The memorandum concluded that all of these units, including the most recent request would be coming on the market at about the same time, and would pose a serious marketing problem, as well as, result in tenants shifting from local public housing units to the newly constructed section 8 units.

In early December 1977, the Harrisburg City Council rejected the proposal. The Council requested and HUD agreed to an extension of time to permit consideration of another developer. Later in December 1977, the director of the Harrisburg Housing Authority, stated that Harrisburg had no manifest need for elderly housing in testimony before members of the Harrisburg City Council.

In January 1978, the Harrisburg City Council approved a new developer who submitted a proposal which differed substantially from the rejected proposal, both in terms of units and facility type. In contrast to the earlier proposal to erect a 300-unit elderly high-rise project, the new proposal was for a 256-unit high-rise project to house elderly, disabled, and handicapped persons.

After receiving the new request for the 256 unit project, HUD's area office conducted another market analysis of the Harrisburg area. The HUD area office reported in March 1978 that in the preceding 18 months that it had approved approximately 1,500 units of section 8 elderly housing within a 10-mile radius of Harrisburg--an increase of almost 800 units over the earlier study in September 1977. The market analysis stressed that both the Harrisburg and Dauphin County Housing Authorities had very small waiting lists. Moreover, the Harrisburg Housing Authority waiting list was small despite numerous advertisements run in the local newspapers for elderly applicants. HUD's market analysis estimated that it will take approximately 4 years for the market to absorb the units already committed to the Harrisburg area.

In March 1978, the present Philadelphia area office director canceled the Harrisburg section 8 fund allocation primarily because Harrisburg has no apparent need for general elderly housing for the next several years. Also, he mentioned that the second proposal was contrary to HUD's stated elderly/handicapped policy because the project would house persons whose disabilities prohibit them from living totally independent lives. HUD's policy is to encourage housing for the physically handicapped which provides for their continued integration in the community among the non-handicapped of all ages, rather than permitting the segregation of handicapped by themselves, or permitting them to live only among the elderly.

HUD'S COMMENTS ON WHY
PROJECT INITIALLY APPROVED

The former acting director of HUD's Philadelphia area office told us that he overruled his staff's concerns that the funds for 300 units of elderly construction not be allocated to Harrisburg because (1) the City of Harrisburg had expressed a legitimate need for the 300 units of elderly housing and (2) the Harrisburg Senior Citizen Housing Need Analysis study supported the City's cited need for these units. He stated that if an error in judgment was made on this matter, it would be disclosed and corrected during HUD's detailed market analysis study which is generally performed at the time a developer seeks final construction approval from HUD.

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At your request, we did not obtain written agency comments. The matters covered in the report, however, were discussed with HUD officials, and their comments have been incorporated where appropriate.

We plan to make copies of this report available to interested parties upon request, beginning 10 days after the report date.

Sincerely yours,



for Henry Eschwege
Director