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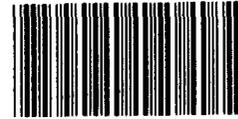
United States General Accounting Office

Report to the Chairman, Subcommittee  
on Transportation and Related Agencies,  
Committee on Appropriations, House of  
Representatives

May 1992

# COAST GUARD

## Housing Acquisition Needs Have Not Been Adequately Justified



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**Resources, Community, and  
Economic Development Division****B-248015****May 19, 1992****The Honorable William Lehman  
Chairman, Subcommittee on Transportation  
and Related Agencies  
Committee on Appropriations  
House of Representatives****Dear Mr. Chairman:**

During the next 5 years, the Coast Guard, an agency within the Department of Transportation, plans to spend about \$211 million to purchase or construct about 1,200 houses for its members and their families. This report responds to your September 4, 1991, request that we determine how adequately the Coast Guard has complied with its requirements to justify the purchase or construction of housing. These requirements include (1) demonstrating the existence of a housing shortage in the community, (2) ensuring that the least costly alternative is selected, and (3) periodically reassessing the local housing market. As subsequently agreed, we reviewed certain housing projects for fiscal years 1990 through 1992.

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**Results in Brief**

The Coast Guard has not fully complied with its requirements to justify the expenditure of \$30.3 million for the purchase or construction of nine housing projects for fiscal years 1990 through 1992. Specifically, the Coast Guard did not adequately justify the need for its proposed housing acquisitions. To establish need, the agency's housing manual requires Coast Guard officials to analyze and support the existence of a housing shortage in the community. Although the need for housing was documented with general statements on local housing conditions, such as rental costs were too high or the availability of housing was insufficient, we found little or no support for these general statements.

In addition, the Coast Guard did not adequately analyze alternatives for meeting its housing needs. Such alternatives include leasing, purchasing, and constructing. The Coast Guard's housing manual requires officials to analyze the cost of all housing alternatives to determine the least costly alternative to meet the need. For nine planned acquisition projects, only three had had all alternatives considered. Also, in evaluating the alternatives for each of the nine projects, officials did not use complete

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and comparable cost data. For example, cost data for five projects excluded the price of land from their construction estimates.

Finally, although required by its housing manual, the Coast Guard did not periodically reassess housing market conditions following project approval—which occurs about 3 years before funding becomes available. Thus, the Coast Guard did not adjust for any changes in housing availability, such as housing becoming available for leasing, that could change the need for constructing or purchasing housing.

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## Background

Currently, the Coast Guard has about 39,000 members, including about 25,000 with dependents, stationed throughout the United States and its territories. About 58 percent of Coast Guard members rent or own houses. The others live in Coast Guard-owned facilities or other government-owned facilities, including houses, barracks, and ships. Members also live in about 5,000 housing units that the Coast Guard leases. As of January 31, 1992, the Coast Guard owned about 4,600 houses.

In fiscal years 1990 through 1992, the Coast Guard funded 11 projects to construct or purchase 405 houses at an estimated cost of \$63.1 million. We reviewed nine of the housing projects, with an estimated cost of \$30.3 million, that are in various stages of acquisition. We did not review two projects because they replaced existing Coast Guard-owned housing and were not considered to be acquisitions. As of April 21, 1992, five projects, valued at \$25.6 million, were in a planning, preconstruction phase. For the remaining four projects, valued at \$4.7 million, the Coast Guard has either completed housing construction or purchase or is completing purchase negotiations. Appendix I lists the projects, number of units, estimated costs, and current status.

The Coast Guard's housing acquisition process for constructing or purchasing houses takes about 5 years and progresses through several review levels before funding is available. The process usually begins when a district command, which oversees local units, submits to headquarters an Acquisition, Construction, and Improvements Data Sheet that describes its need for additional housing at one of its local units. The data sheet provides a brief statement describing the housing need and an estimated cost for the requested additional houses. If the data sheet is approved, the district command develops and submits to headquarters a planning proposal with more detailed information on the housing needs and alternative ways to meet the needs. Following approval of the proposal,

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which occurs about 3 years before funding becomes available, the district command submits a Project Proposal Report that includes design concepts for the housing project to headquarters for review and approval or disapproval.

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## Housing Needs Not Adequately Justified

According to the Coast Guard's housing manual, which prescribes policies and procedures for administering the housing program, the Coast Guard's housing goal is to ensure adequate housing for all members and their dependents.<sup>1</sup> The manual requires the Coast Guard to first attempt to meet its housing needs by using housing in the community that its members can either rent or purchase. If the Coast Guard believes a housing shortage exists in the community, the shortage must be supported with evidence that describes the local housing market and considers such factors as housing cost, commuting time and distance, and quality and condition of existing, available housing.

For the Coast Guard's nine housing acquisition projects for 1990, 1991, and 1992, officials did not adequately analyze the local housing market to demonstrate that a housing shortage existed. For example, at one project location, the planning proposal stated: "Current members are experiencing problems with locating affordable/adequate housing within recall status for search and rescue duties." Other proposals described local housing market conditions in general terms, such as rental costs were too high or available housing was insufficient. However, none of the nine projects we reviewed had documented the existence of a housing shortage using such factors as cost or commuting time and distance, as required by the housing manual. Furthermore, at the three housing project locations we visited, local housing officials confirmed that housing shortages were not analyzed in detail.

Only four project files contained any type of specific data on the availability of community housing, such as data on vacancy rates, to help support the need for housing. For these four projects, however, the Coast Guard did not demonstrate how such data affected its housing needs. For example, one housing project, a proposal to build 102 family houses between 1992 and 1994, was supported by a city study showing that from March 1984 to March 1989 the city's vacancy rate had been about 1.7 percent for single-family houses and 8.6 percent for apartments. However, the project file did not contain evidence to show whether these units met

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<sup>1</sup>To administer the housing program, the Coast Guard uses three manuals in addition to the housing manual—one on planning and programming, one on civil engineering, and one on budgeting administration.

the needs of Coast Guard members. More specifically, there was no analysis of the vacancy rate or any discussion of the condition or availability of housing in the community in terms of the Coast Guard's specific need for 20 4-bedroom houses, 31 3-bedroom houses, and 51 2-bedroom houses. Furthermore, although local Coast Guard officials perceived difficulty in obtaining housing in the area because of vacancy rates that remained low, they provided us with data that appeared to contradict that perception. The data showed an increase in Coast Guard housing leases from 40 units in fiscal year 1991 to 100 units in 1992.

## Alternatives Not Fully Developed

If adequate community housing is not available, the Coast Guard's housing manual prescribes that the agency look for other existing government or military housing for its members to rent. The Coast Guard can also lease housing from private owners and make this housing available to its members at a price equivalent to their housing allowance. If these options are not feasible, the Coast Guard may construct housing or purchase private housing or excess government housing.

According to the Coast Guard's housing manual, officials must ensure that the least costly alternative is selected to meet the agency's housing needs. Furthermore, no alternative should be excluded from consideration without first developing cost data to compare the cost of leasing, purchasing, and constructing houses. However, officials developed cost data for all of the housing alternatives in only three of the nine projects we reviewed. For the remaining six projects, three addressed only construction costs, two addressed only construction and purchasing costs, and one addressed only construction and leasing costs. Coast Guard field officials said, for example, that all alternatives were not pursued on all projects because they did not believe some alternatives, such as leasing, could be achieved in their communities. However, they did not have any evidence to support their views.

Furthermore, cost estimates were incomplete or inconsistent for all nine projects. For example, although required by the housing manual to include the price of land, local Coast Guard officials excluded it in five projects, thereby understating their construction estimate for building houses. Other inconsistencies in the development of cost data included (1) using different utility costs when comparing alternatives at a site; (2) developing cost comparisons on alternatives that were not comparable, such as houses with different numbers of bedrooms; and (3) using different discount rates to calculate the estimated present value of the government's

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investment over the economic life of the project.<sup>2</sup> Field and headquarters housing officials told us that these omissions and inconsistencies resulted from (1) the lack of detailed housing guidelines, (2) inexperienced Coast Guard housing officials at the local sites, and (3) a shortage of planning personnel in the district offices.

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## Housing Market Not Periodically Reassessed

In the 3 years between approval and funding of a project, changes in the housing market can occur that nullify the need for constructing or purchasing housing. The Coast Guard housing manual requires periodic reassessment of local housing conditions following project approval. However, in all nine projects we reviewed, the Coast Guard had not reassessed its housing needs to adjust for any changes in housing availability.

For example, at one project location we visited, real estate agents told us that housing availability had increased in the community since the Coast Guard had proposed its project in 1987. The agents attributed this change to a decline in tourism and the completion of several new apartment projects in 1991. The increased availability in housing was reflected in the recent increase in Coast Guard leases from 12 when the project was proposed to 49 at the time of our visit.

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## Conclusions

The Coast Guard has not followed its housing acquisition policies and procedures, and as a result, it has not adequately demonstrated that its 1990-92 housing acquisition projects are needed. The files for these projects included little, if any, supporting information about the availability of housing in the community and about how that availability affected housing needs for Coast Guard members.

In addition, the Coast Guard did not (1) adequately evaluate the cost of alternatives for meeting its housing needs as required by its housing manual and (2) use complete and comparable cost data when developing cost estimates for alternatives. Thus, the Coast Guard cannot be assured that officials selected the least costly alternative to meet their housing needs.

Finally, the Coast Guard did not periodically reassess the need for housing during the lengthy approval process for housing acquisitions. As a result,

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<sup>2</sup>Discount rates determine the amount of money that would be required to finance the project if it were completed today.

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the Coast Guard had no assurance that its initial assessments of a housing deficiency still existed at the time funding was made available for the acquisition.

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## **Recommendations**

To assist the Coast Guard in making more informed housing acquisition decisions in the future, we recommend that the Secretary of Transportation direct the Commandant of the Coast Guard to comply with the requirements in the housing manual by (1) analyzing the local community's housing market and relating market availability to specific housing needs, (2) evaluating all housing alternatives and using complete and comparable cost analyses, and (3) periodically reassessing the need for housing during the housing acquisition process. In addition, for current projects not yet under contract, we recommend that the Secretary of Transportation direct the Commandant of the Coast Guard to delay purchase or construction decisions until the Coast Guard complies with policies and procedures required by its housing manual.

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## **Agency Comments**

As requested, we did not obtain written agency comments on this report. We did, however, discuss the contents of this report with the Coast Guard's Housing Branch Chief, other Coast Guard housing officials, and Department of Transportation officials. They offered various technical clarifications to the facts presented, and we made changes to our report where appropriate. The officials stated, however, that because we did not identify which specific housing projects we were referring to in our examples, they could not agree with our findings or conclusions. Furthermore, they said that we needed to review some case file information on housing projects that was not previously provided during our review to better understand their specific housing acquisition rationale. We subsequently identified the specific projects to an official in the Chief of Staff's office. In addition, we asked to review the additional project case file information. However, no additional facts or clarifications of facts were provided that caused us to modify our findings or conclusions. The officials also stated that because our scope did not include housing projects that have been disapproved, our report was not balanced and did not give credit to the Coast Guard's process to review and disapprove projects. During our review, we were told by Plans and Policy Branch personnel that information on disapproved housing acquisition requests was not readily available. Nevertheless, we believe that our findings on approved projects provide sufficient evidence to

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demonstrate weaknesses in the Coast Guard's compliance with requirements to justify the purchase or construction of housing projects.

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## Scope and Methodology

We performed our work at Coast Guard headquarters in Washington, D.C.; Atlantic and Pacific Area Commands in New York, New York, and Alameda, California, respectively; district commands in Miami, Florida, and Seattle, Washington; and field offices in Key West, Florida, and Astoria and Depoe Bay, Oregon.

We reviewed agency regulations, policies, and procedures governing the Coast Guard's housing program, and we discussed the housing program and its administration with Coast Guard officials. In addition, we analyzed information contained in the nine housing acquisition project case files for fiscal years 1990, 1991, and 1992. We did not evaluate any of the nine projects to determine whether the omission of certain cost data or the inconsistencies in the development of cost data for certain alternatives actually made the chosen acquisition method inappropriate.

We conducted our work between November 1991 and March 1992 in accordance with generally accepted government auditing standards.

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We are providing copies of this report today to the Secretary of Transportation; the Commandant of the Coast Guard; the Director, Office of Management and Budget; and other interested parties. We will also make copies of the report available to others upon request.

Our work was performed under the direction of Kenneth M. Mead, Director of Transportation Issues, who can be reached at (202) 275-1000. Other major contributors to this report are listed in appendix II.

Sincerely yours,



J. Dexter Peach  
Assistant Comptroller General

# Housing Projects Funded for Fiscal Years 1990-1992

Dollars in millions

Projects	Number of units	Estimated cost	Current status
<b>FY 1990</b>			
Key West, Fla.	160	\$14.4	Construction contract awarded
South West Harbor, Mich.	6	.6	Construction completed
Neah Bay, Wash.	2	.2	Construction invitation for bid
<b>FY 1991</b>			
St. Ignace, Mich.	12	1.7	Selecting construction site
Chetco River, Ore.	6	.5	Purchase completed
Depoe Bay, Ore.	2	.2	Purchase completed
<b>FY 1992</b>			
Depoe Bay, Ore.	2	.2	Purchase completed
Astoria, Ore.	27	5.0	Construction invitation for bid
Long Island Sound, Conn.	32	3.2	Purchase negotiation completed
Point Vicente, Calif.	24	4.3	Construction design
<b>Total</b>	<b>273</b>	<b>\$30.3</b>	

Notes:

These data reflect cost and status as of April 21, 1992. Some projects shown above are multiyear housing efforts that extend beyond fiscal year 1992. For example, the Astoria, Oregon, project involves a total of 102 family houses: 27, 55, and 20 units, respectively, in fiscal years 1992, 1993, and 1994. Also, we counted the Depoe Bay, Oregon, multiyear housing effort as one project.

The Coast Guard has two additional 1991 and 1992 projects that replace existing Coast Guard owned housing. The Coast Guard has proposed building (1) 60 houses for \$14.6 million in Kodiak, Alaska, and (2) 72 houses for \$18.2 million in San Juan, Puerto Rico.

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# Major Contributors to This Report

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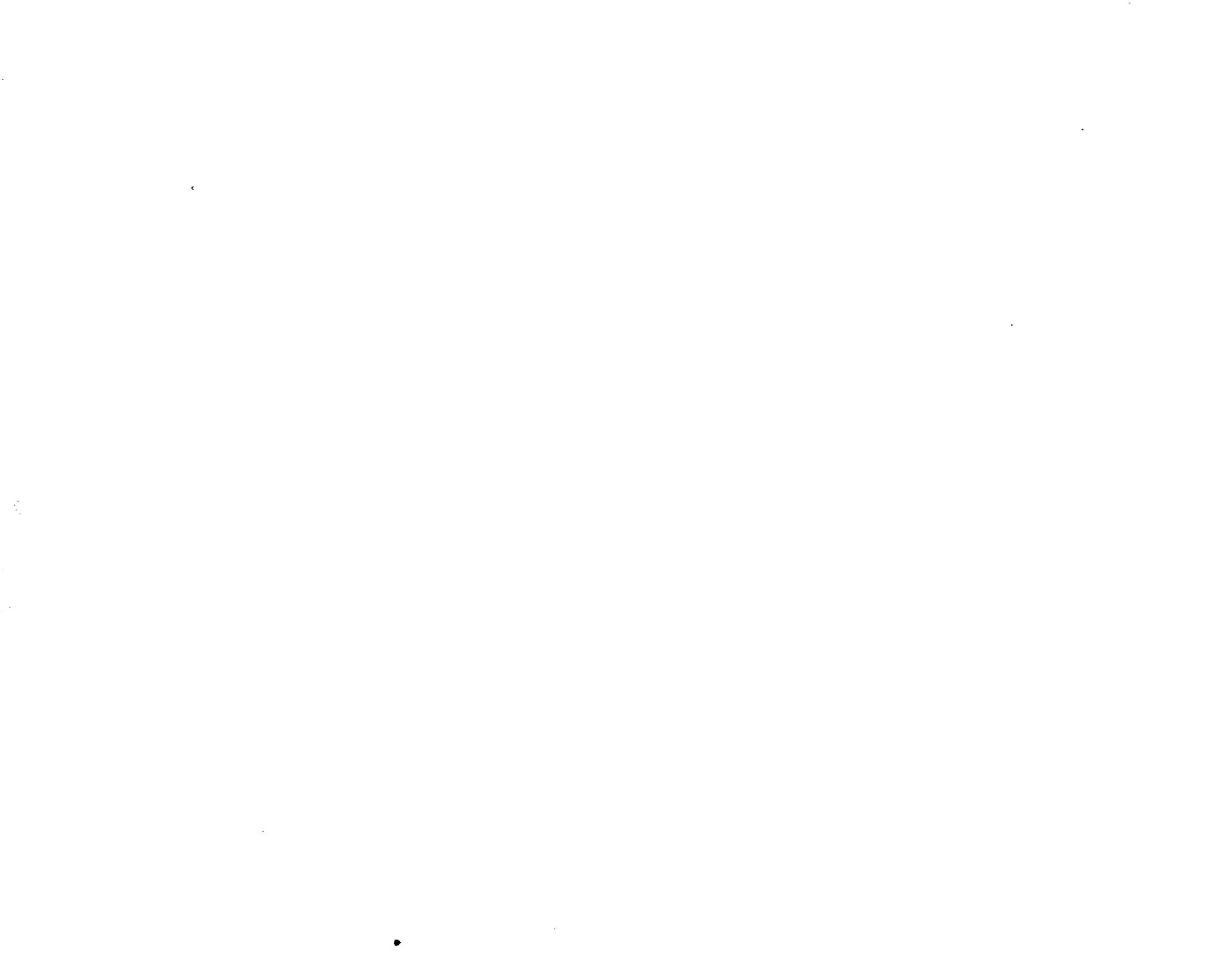
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