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September 24, 1964

Dear Mr. Comptroller General:

This is in acknowledgment of your letter of September twenty-third to the President, enclosing a copy of your report to the Congress on ineffective administration contributing to unsatisfactory progress in rehabilitating the Hyde Park-Kenwood urban renewal area, Chicago, Illinois--Housing and Home Finance Agency.

It has been noted that two copies of this report are being sent to the Director of the Bureau of the Budget.

Sincerely,

Ralph A. Dungan
Special Assistant
to the President

Honorable Joseph Campbell
Comptroller General
of the United States
Washington, D. C.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

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B-118754

September 23, 1964

Dear Mr. President:

Herewith is a copy of our report to the Congress on ineffective administration contributing to unsatisfactory progress in rehabilitating the Hyde Park-Kenwood urban renewal area, Chicago, Illinois—Housing and Home Finance Agency.

Two copies of this report are being sent today to the Director, Bureau of the Budget.

Respectfully yours,

Comptroller General
of the United States

Enclosure

The President
The White House

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**INEFFECTIVE ADMINISTRATION CONTRIBUTING TO
UNSATISFACTORY PROGRESS IN REHABILITATING THE
HYDE PARK-KENWOOD URBAN RENEWAL AREA
CHICAGO, ILLINOIS**

HOUSING AND HOME FINANCE AGENCY



**BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES**

SEPTEMBER 1964

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HOUSING AND HOME FINANCE AGENCY



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THE COMPTROLLER GENERAL
OF THE UNITED STATES**

SEPTEMBER 1964



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

B-118754

SEP 23 1964

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

Our review of the Hyde Park-Kenwood urban renewal project in Chicago, Illinois, disclosed that unsatisfactory progress had been made in obtaining the voluntary rehabilitation of properties necessary for attaining the objectives of the project, and that the unsatisfactory progress was due, in part, to ineffective administration by the Federal housing agencies.

The Hyde Park-Kenwood urban renewal project represents one of the first attempts in the country to renew a significant portion of a city by means of rehabilitation and spot clearance. The Housing and Home Finance Agency agreed to contribute Federal funds totaling more than \$28 million toward the costs of (1) acquiring and redeveloping about 12 percent of the land containing about 20 percent of the buildings in the project area and (2) providing necessary improvements and community facilities for the project. The remaining portion of the project was to be rehabilitated, at no cost to the Federal Government, by means of rigid enforcement of the city's building, fire, zoning, and other codes and ordinances affecting housing and by persuading property owners to improve their properties in accordance with the urban renewal standards adopted for the area. The portion of the project to be rehabilitated has about 2,400 structures containing about 23,000 dwelling units. The originally scheduled date for completing the project was July 1, 1963, but this date has now been advanced to January 31, 1966.

Our review disclosed that in December 1963 only 22 percent of the structures in the area were considered to have met the minimum standards adopted for the project area and only 49 percent of the structures had been inspected to ascertain whether rehabilitation work was needed. Many of the unrehabilitated structures--estimated by local officials as 350 to 400--are considered to be problem cases for which rehabilitation may not be feasible for economic or other reasons. These local officials stated that the Housing and Home Finance Agency probably would be requested to approve the acquisition of the properties for which voluntary rehabilitation could not be obtained. Inasmuch as the benefits

expected from the proposed project cannot be attained without rehabilitating the entire project area, the Housing and Home Finance Agency may not be in a position to disapprove such a request without jeopardizing the substantial Federal investment already in the project. If the acquisition of the problem properties is approved, the Federal contribution to the project will be increased substantially.

We believe that the Urban Renewal Administration approved the execution of the loan and grant contract for this project prematurely because (1) prior studies of the feasibility of obtaining large-scale voluntary rehabilitation were inadequate and inconclusive and (2) the rehabilitation plan proposed by the City of Chicago (a) did not provide for an adequate administrative organization to carry out the rehabilitation program and (b) indicated that an undetermined number of the structures in the rehabilitation area might have to be acquired but did not disclose, and the Housing and Home Finance Agency did not ascertain, the probable cost of these structures to the Federal Government. After the loan and grant contract was executed, the Housing and Home Finance Agency did not take prompt action to require the City of Chicago to emphasize the rehabilitation phase of the project concurrently with the acquisition and demolition phases. Moreover, members of the staff of the Federal Housing Administration were not adequately trained in the procedures applicable to rehabilitation in urban renewal areas, with the result that the mortgages which the Federal Housing Administration agreed to insure were smaller than the maximum mortgages authorized by the Housing Act of 1961.

We made several proposals for strengthening the procedures applicable to urban renewal projects involving significant amounts of voluntary rehabilitation and also proposed that an evaluation be made of the current status of the Hyde Park-Kenwood project and that firm agreements be reached as to what each agency involved would do in order to successfully complete the project. The Housing and Home Finance Administrator advised us that, because the Hyde Park-Kenwood project was one of the first projects in the country to combine clearance for redevelopment with voluntary rehabilitation of remaining structures, precedents did not exist which would permit the formulation of conclusive criteria at the time of project approval. He cited a number of

changes that subsequently were made in operating procedures and stated that he believed adequate measures currently existed to prevent recurrence of conditions similar to those found during our review. He advised us also that an evaluation of the status of the project had been proceeding for some time and that after agreement had been reached as to the roles each agency would assume in completing the project, a revised financing plan would be prepared which would take into consideration the action necessary with respect to buildings for which voluntary rehabilitation could not be obtained. The effectiveness of the actions being taken by the Housing and Home Finance Agency cannot be measured at this time.

Copies of this report are being sent to the President of the United States; the Administrator, Housing and Home Finance Agency; and the Commissioner, Urban Renewal Administration.

A handwritten signature in dark ink, appearing to read "W. M. Campbell", is written in a cursive style.

Comptroller General
of the United States

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REPORT ON
INEFFECTIVE ADMINISTRATION CONTRIBUTING TO
UNSATISFACTORY PROGRESS IN REHABILITATING THE
HYDE PARK-KENWOOD URBAN RENEWAL AREA
CHICAGO, ILLIONIS
HOUSING AND HOME FINANCE AGENCY

INTRODUCTION

The General Accounting Office has made a review of the Housing and Home Finance Agency's role in approving and administering the rehabilitation of properties in the Hyde Park-Kenwood urban renewal area, Chicago, Illionis. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The scope of our review is described on page 35 of this report.

The Housing and Home Finance Agency (HHFA) which was established on July 27, 1947, pursuant to Reorganization Plan No. 3, is responsible for carrying out the principal housing, home financing, and community development functions of the Federal Government. HHFA is headed by an Administrator who is responsible for the general supervision and coordination of the whole range of housing programs and operations for which the agency is responsible.

HHFA consists of the Office of the Administrator (OA), three constituent agencies--the Federal Housing Administration (FHA), the Public Housing Administration (PHA), and the Federal National Mortgage Association (FNMA)--and two constituent units--the Community Facilities Administration (CFA) and the Urban Renewal Administration (URA). The OA, URA, and CFA programs are, for the most part, administered by the seven HHFA regional offices. HHFA's central

office in Washington provides policy direction and technical assistance to the regional offices.

Pursuant to section 106 of the Housing Act of 1949, as amended (42 U.S.C. 1456), the Administrator, HHFA, delegated to the Commissioner, URA, broad authority for administering the slum clearance and urban renewal program. The URA office is in Washington, D.C.; the field activities of the program are carried out by the seven HHFA regional offices. A list of principal officials responsible for the activities examined in our review is presented as appendix I of this report.

This slum clearance and urban renewal program is carried out pursuant to title I of the Housing Act of 1949, as amended (42 U.S.C. 1450). This act authorizes Federal financial and technical assistance to local communities for the purposes of (1) assisting in the elimination and prevention of the spread of slums and blighted or deteriorating areas and (2) providing maximum opportunity for the redevelopment, rehabilitation, and conservation of such areas by private enterprise.

Prior to 1954, the slum clearance and urban redevelopment program was basically concerned with the demolition of slums. The Housing Act of 1954 (68 Stat. 590) introduced the term "urban renewal" into the law and broadened the Housing Act of 1949 by authorizing Federal financial assistance for the rehabilitation and conservation of blighted and deteriorating areas. The Housing Act of 1954 amended also the National Housing Act (48 Stat. 1246), adding section 220 to authorize FHA to insure mortgages obtained for the purpose of financing the rehabilitation of properties in slum clearance and urban renewal areas.

The prime responsibility for initiating and administering the slum clearance and urban renewal program at the local level is

placed on the communities themselves. Each slum clearance and urban renewal project is carried out by a local public agency (LPA) which is defined by statute as "any State, county, municipality, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project for which assistance is sought."

Under the procedures established by URA for undertaking a slum clearance and urban renewal project encompassing both rehabilitation and spot clearance, an LPA is required to plan the project; acquire the properties that are to be cleared; temporarily operate and maintain the acquired project properties; assist families from the area to be cleared to relocate into decent, safe, and sanitary housing; demolish the acquired properties; establish standards for the rehabilitation of properties; and encourage and assist property owners to upgrade their properties to meet rehabilitation standards. Upon completion of these activities, the LPA may sell or lease the acquired project land to private or public redevelopers or may retain the land for its own use in accordance with the redevelopment plan.

The Federal Government provides financial assistance to local communities through planning advances, loans, capital grants, and mortgage insurance. A planning advance may be made to an LPA to finance the planning of a slum clearance and urban renewal project. The advance is repayable out of any funds which become available to the LPA for the undertaking of the project; if the project is not undertaken, the planning advance is not repayable. To enable the LPA to undertake a project, URA makes direct loans to the LPA or guarantees loans obtained by the LPA from sources other than the Federal Government. URA makes capital grants to LPAs to reimburse

them for payments made to individuals, families, and business concerns for certain expenses of relocating from slum clearance and urban renewal projects and for the Federal share of the net cost of the project. The LPAs usually use the capital grants to liquidate loans which they have obtained to defray project costs. Capital grant progress payments may be made to an LPA during the development of the project.

The project costs in which the local community and the Federal Government share arise principally from (1) land acquisition, (2) demolition of existing structures, and (3) provision of project improvements and supporting facilities which are necessary to serve the new uses of the project land, including the cost of constructing buildings and facilities provided in connection with community improvements, such as schools, libraries, police stations, sewers, and parks.

Net project cost is defined by the Housing Act of 1949 as the difference between the gross project cost and the aggregate of (1) the total sales price of all land or other property sold and (2) the total capital value of the project land or other property to be leased or to be retained by the local public agency. The act provides that net project costs generally will be shared, two thirds by the Federal Government and one third by the local communities. However, in the case of a municipality with a population of 50,000 or less, or when planning, legal, and administrative costs are excluded from project cost, the net project cost may be shared, three fourths by the Federal Government and one fourth by the local community. The net cost of the Hyde Park-Kenwood project is to be shared on such a three fourths-one fourth basis.

The URA procedures provide that, for a rehabilitation or conservation project, the Federal Government will not participate in

any costs incurred in the physical rehabilitation of project properties other than those necessary for the project office or for demonstration purposes. Section 110(c) (7) of the Housing Act of 1949 provides that an LPA may not acquire and rehabilitate for demonstration purposes more than 100 dwelling units, or 5 percent of the dwelling units in the project area, whichever is less.

DESCRIPTION OF HYDE PARK-KENWOOD PROJECT

The Hyde Park-Kenwood slum clearance and urban renewal project is part of Chicago's citywide program of conservation and improvement. The project area, located about 6 miles south of Chicago's central business district, encompasses about 856 acres of land and has a population of about 65,000. The project is bounded by East 47th Street on the north, East 59th Street on the south, Lake Michigan on the east, and Cottage Grove Avenue on the west. Within these boundaries the following areas are excluded from the project: Jackson Park, Burnham Park, Illinois Central Railroad right-of-way, Hyde Park A and Hyde Park B redevelopment projects, and the University of Chicago campus. A map of the project area is presented as appendix II of this report.

The Community Conservation Board of Chicago (predecessor to the present LPA) applied for a loan and grant contract in July 1958. At that time, there were about 3,100 structures in the area, of which 782 were classified by the LPA as substandard. About 101 acres of land containing 630 structures, of which 336 were classified as substandard, were to be cleared and redeveloped. About 490 acres of land containing approximately 2,400 structures were to be rehabilitated; these structures contained about 23,000 dwelling units, of which about 3,900 were classified as substandard. The remaining land was to be used for commercial and industrial purposes, streets, alleys, and public rights-of-way.

URA approved the LPA's application for a loan and grant contract in January 1959, and the contract was executed in May 1959. The project expenditures budget, as approved by HHFA, provided for net project costs totaling about \$36,675,000 and for relocation costs totaling about \$805,000. As the Federal Government will pay

the entire amount of the relocation costs in addition to a three fourths' share of the net project costs, the budgeted Federal capital grants totaled about \$28,312,000. No provision was made in the project expenditures budget for costs in connection with the rehabilitation of project properties.

In its loan and grant application, the LPA estimated that the project would be completed on July 1, 1963. However, in June 1962 HHFA approved an extension of the project completion date to January 31, 1964; and in November 1963 it approved a further extension to January 31, 1966. In November 1963 the budget for relocation costs was increased to \$1,050,000, but no change was made in the budget for net project costs.

FINDINGS AND CONCLUSIONS

The Hyde Park-Kenwood project represents one of the first major attempts in the country to renew a significant portion of a city by means of voluntary rehabilitation and spot clearance. In order for the project to be successful so as to attain the benefits expected from the expenditure of millions of dollars by the Federal Government and the city of Chicago, it is essential that the necessary voluntary rehabilitation be effected. However, our review disclosed that there has been no large-scale voluntary rehabilitation.

We believe that, in part, the unsatisfactory progress in obtaining the rehabilitation of properties at the Hyde Park-Kenwood project was due to ineffective administration by the Federal housing agencies. First, URA approved the project without adequate information as to the feasibility of obtaining large-scale voluntary rehabilitation. Second, after the loan and grant contract with the LPA had been executed, HHFA's supervision over the rehabilitation activities was not effective inasmuch as prompt action was not taken to require the LPA to emphasize rehabilitation concurrently with other activities and FHA's mortgage insurance underwriting practices were not in consonance with URA's objectives for the project.

UNSATISFACTORY PROGRESS IN REHABILITATING PROPERTIES IN THE HYDE PARK-KENWOOD PROJECT

In May 1959 HHFA executed the loan and grant contract for the Hyde Park-Kenwood project and thus agreed to provide the Federal financial assistance necessary for carrying out the urban renewal plan for the project. The urban renewal plan provided for acquiring, demolishing, and redeveloping about 12 percent of the land containing about 20 percent of the buildings in the project area.

The remaining portion of the project was to be rehabilitated at no cost to the Federal Government by means of rigid enforcement of the city's building, fire, zoning, and other codes and ordinances affecting housing and by persuading property owners to improve their properties in accordance with the urban renewal standards adopted for the area. Our review disclosed that unsatisfactory progress had been made in obtaining the necessary rehabilitation of project properties.

In January 1964, 5 years after HHFA approval of the project and 7 months after the originally scheduled completion date, the precise status of the necessary rehabilitation work at the Hyde Park-Kenwood project still had not been determined because the LPA had not completed an inspection of all structures in the area to ascertain the nature and extent of the rehabilitation work needed.

In December 1963 the LPA's records showed that about 51 percent (1,203 out of a total of 2,383) of the structures in the area designated for rehabilitation had not been inspected to ascertain whether there had been compliance with the rehabilitation standards adopted for the project. Moreover, about 27 percent of the structures had not been inspected to ascertain whether there had been compliance with the city's building, fire, zoning, and other codes affecting housing. Of the 2,383 structures in the rehabilitation area, 189 had been certified as meeting both the rehabilitation standards and the city code requirements on the basis of the original inspections and an additional 331 were considered to have met both the rehabilitation standards and the city code requirements after completion of necessary rehabilitation work. Thus, as of December 24, 1963, either rehabilitation work was necessary or inspections were needed to ascertain the extent of necessary rehabilitation work on 1,863 (about 78 percent) of the structures in the

area scheduled for rehabilitation.¹ Many of the unrehabilitated structures were considered by the LPA to be "problem cases" for which rehabilitation may not be feasible for economic or other reasons.

¹Subsequently we were informed that considerable progress in attaining rehabilitation was expected by the LPA by June 1964 (see p. 34).

Contract approved without
adequate information as to feasibility
of project

URA approved the execution of a loan and grant contract for the Hyde Park-Kenwood project even though (1) the LPA did not have an adequate rehabilitation program and (2) prior studies of the feasibility of the project were inconclusive. We question whether URA had enough information to provide a sound basis for approving the project.

URA procedures provide that, prior to the initiation of survey and planning work, representatives from the LPA, FHA, and HHFA shall hold a feasibility conference and that agreement shall be reached as to whether it is feasible to upgrade all properties remaining in the area to property rehabilitation standards. These standards are required to be:

- "(1) Sufficiently high to assure the long-term useful life of the properties and to justify the cost involved.
- "(2) Feasible of practical application to existing physical conditions within the area."

The procedures provide also that, before URA approves a loan and grant contract for a project, the LPA must submit specific and conclusive evidence supporting the adequacy of property rehabilitation standards and the feasibility of property rehabilitation.

Proposed rehabilitation program
was inadequate

The LPA's rehabilitation program was inadequate for undertaking, in a timely and effective manner, the extent of rehabilitation work necessary to accomplish the objective of the urban renewal plan. The LPA's plan for carrying out the project, which was

approved by HHFA prior to the execution of the loan and grant contract, provided for a division of responsibility which subsequently proved to be unworkable. Moreover, the LPA's urban renewal plan did not adequately disclose, and HHFA did not ascertain, the probable cost of the project to the Federal Government.

The LPA's urban renewal plan provided that the Community Conservation Board (predecessor to the present LPA) would be responsible for the overall undertaking of the project but that the Department of Buildings of the city of Chicago would be responsible for enforcing the city's minimum codes and ordinances and for obtaining voluntary rehabilitation of properties in accordance with the higher urban renewal standards incorporated in the plan. No provision was made in the plan for the Community Conservation Board to exercise supervision or control over the activities of the Department of Buildings in connection with the project. As pointed out later in this report, no real progress was made in obtaining rehabilitation of the project properties until this defect in organization was corrected.

The urban renewal plan stated that rehabilitation would apply to all buildings not specified for clearance--approximately 80 percent of the structures then in the project area. However, the plan went on to state:

"Rehabilitation will be undertaken by private voluntary action with continuous and vigilant enforcement of the minimum codes of the city. Those structures which do not lend themselves to voluntary activity, either because of the inability or unwillingness of the owner, will be dealt with by the Community Conservation Board of Chicago at a later date subject to prior city council approval. In addition, it is recognized that an added number of buildings will prove not feasible for rehabilitation or will be required to be acquired to meet small space

needs. None of these latter structures are identified, since a period of operational experience will be required to identify the applicable structures. As these structures are identified, appropriate *** Housing and Home Finance Agency approval will be requested."

Despite the warning in the urban renewal plan that HHFA approval would be requested for additional costs to be incurred in acquiring an unidentified number of structures in the area designated for rehabilitation, HHFA executed the loan and grant contract without ascertaining the probable number of structures to be acquired or their cost. Since the objectives of the project cannot be achieved without the renewal or rehabilitation of the entire project area, HHFA is not now in a position to disapprove subsequent requests for Federal participation in costs necessary for renewing or rehabilitating the area originally designated for rehabilitation without jeopardizing the Federal investment already in the project.

HHFA subsequently recognized that the LPA's rehabilitation program for the Hyde Park-Kenwood project was inadequate and requested that action be taken to improve it. On February 27, 1962, the HHFA Chicago Regional Administrator recommended to the LPA that the following steps be taken to improve the rehabilitation program.

1. The immediate scheduling and carrying out of a building-by-building inspection in the project to achieve compliance with project standards.
2. Developing close coordination with the Building and Law Departments to determine the best means of securing compliance with project standards.
3. Developing procedures for contacting all owners before and after inspections and for follow-up inspections of reported rehabilitation work.

4. Making adequate provision for rendering, to owners of buildings, such technical services as architectural sketches, general cost estimates, and financial advice.
5. Improving the reporting on rehabilitation activities.
6. Reviewing the urban renewal plan to determine the current adequacy and feasibility of its provisions. Any revision to the plan should update land-use controls and clearance proposals.

The Regional Administrator requested the LPA to develop a detailed rehabilitation program within 60 days so that the program could be implemented early enough in 1962 for real progress to be demonstrated by the end of the year.

On May 9, 1962--71 days later--the Regional Administrator informed the LPA that he had not yet received a detailed rehabilitation program for the Hyde Park-Kenwood project. He stated that applications for two other rehabilitation projects in Chicago could not be approved until a satisfactory program was developed for the Hyde Park-Kenwood project.

At our suggestion, HHFA solicited the LPA's comments on our findings. In a letter to the HHFA Chicago Regional Administrator dated July 15, 1963, the Chairman of the Board of the Chicago Department of Urban Renewal (the current LPA) pointed out that, because the Hyde Park-Kenwood project was one of the first in the country to propose a conservation program combining clearance for redevelopment and voluntary rehabilitation of the remaining structures, precedents did not exist when the LPA submitted its project report in 1958 which would permit the formulation of conclusive criteria for feasibility. He stated, however, that he believed the LPA's submission presented a reasonable basis for Federal participation in the project and that, notwithstanding dissatisfaction

with the rate of progress to date, steps had been taken which would effectively implement the objectives of the rehabilitation program. In this connection, he cited certain actions that had been taken to improve organization and procedures, including (1) a reorganization of the city's Department of Buildings in 1961 to eliminate overlapping of functions between conservation inspection, new construction inspection, and technical services and (2) a reevaluation of the organization and procedures which resulted in the opening of a neighborhood Service Center in May 1963 to provide all necessary services in connection with rehabilitation. The staff of the Service Center includes inspection personnel, rehabilitation advisers, community relations specialists, and a legal advisor under the direct supervision of a project director. The basic objective of the center is to locate in one office under a single coordinating supervisor all services available from various city departments pertaining to code enforcement and rehabilitation.

The Administrator, HHFA, advised us that URA had been gravely concerned with the lack of progress in rehabilitating structures at the Hyde Park-Kenwood project and cited a memorandum from the Regional Director of Urban Renewal to the Commissioner, URA, dated July 17, 1963, which described the steps being taken by the HHFA regional office and the LPA to implement and accelerate the rehabilitation program. He also cited statistics, obtained from the LPA, which showed that the amount of the repair and rehabilitation of project properties, as shown by the building permits issued, had increased from \$784,218 for the 6 months of 1962 to \$1,516,715 for the first 6 months of 1963.

Following receipt of the Administrator's comments, we reviewed the city Building Department records to ascertain the extent of

participation in rehabilitation by private individuals during the periods cited. Our review disclosed that of the \$1,516,751 in building permits issued during the first 6 months of 1963, a total of \$228,459 was applicable to properties not in the project area and an additional \$694,000 was applicable to property owned by the University of Chicago instead of by private individuals. The University of Chicago has a special interest in upgrading the area because its campus is adjacent to the project and many of its students reside in the properties scheduled for rehabilitation. Further, the University of Chicago performed the initial planning for this project. Of the \$784,218 in building permits issued during the first 6 months of 1962, a total of \$374,326 was for property not in the project area and an additional \$222,000 was for property owned by the University of Chicago. Following is our analysis of the cited permit values:

<u>Period</u>	<u>Total (note a)</u>	<u>Property not in project area</u>	<u>Permits applicable to</u>		
			<u>Property of Univer- sity of Chicago and other institu- tions</u>	<u>Com- mercial struc- tures</u>	<u>Private dwellings</u>
January to June 1963	\$1,516,751	\$228,459	\$702,935	\$83,080	\$502,277 ^b
January to June 1962	784,218	374,326	250,500	3,300	156,092

^aThe amounts shown are for rehabilitation, repairs, and maintenance.

^bOne structure accounted for \$235,000.

On the basis of our review, we concluded that the value of the repair and rehabilitation of the project properties, as shown by the

permits cited by the Administrator was not representative of expenditures by private individuals for voluntary rehabilitation in the Hyde Park-Kenwood Urban Renewal Project Area and that these statistics did not indicate that any great progress had been made in obtaining such voluntary rehabilitation.

We also made a follow-up examination into the effectiveness of the neighborhood Service Center approach currently being used by the LPA for obtaining rehabilitation of project properties. Our examination disclosed that substantial progress was being made toward completing the initial inspections of project properties in order to ascertain the scope and extent of the mandatory and voluntary rehabilitation work remaining. The project coordinator estimated that this phase of the work would be completed by the end of February 1964. Thus, the full magnitude of the problem will not have been ascertained until more than 5 years after approval of the project.

Our follow-up examination disclosed further that major problems exist and that the full extent and solution of these problems are not yet known. Some of these problems relate to:

1. Reluctance of property owners to rehabilitate structures near land which was vacated during the clearance phase of the project and has not yet been developed.
2. Absentee ownership, particularly of apartment buildings.
3. Illegal conversions of buildings from their originally intended use, in many cases resulting in overcrowding.
4. Difficulties in obtaining financing in cases where owners are unemployed or have low incomes.
5. Existing indebtedness on some properties is too great in relation to income to make rehabilitation economically feasible.

6. Fear of further expansion of institutional facilities in the area.

One of the principal problem areas in the project is a two-block area referred to by the LPA as the "Canyon area" and the "Canyon problem." The area contains 34 buildings, all 3-story walk-up apartments, and houses approximately 1,500 people, most of whom have small incomes. All but 3 of these buildings have been converted from the original 6-dwelling units to at least 12-dwelling units and cannot economically be reconverted by the owners. The project coordinator and other project officials stated that an amendment to the loan and grant contract authorizing acquisition of the Canyon Area may be necessary as a solution.

With reference to problem properties in general, the project coordinator was of the opinion that public bodies ultimately would have to buy problem properties and either rehabilitate or demolish them. He estimated that there would be 350 to 400 such properties.¹

Studies to determine feasibility
of obtaining large-scale voluntary
rehabilitation were inconclusive

URA approved the execution of the loan and grant contract for the Hyde Park-Kenwood project without making an adequate examination of the structures in the project area to verify the feasibility of obtaining large-scale voluntary rehabilitation. URA's approval of the project was based principally on data submitted by the LPA to the Chicago HHFA regional office; other studies of the project's feasibility indicated that rehabilitation of some of the structures might not be feasible.

The LPA's Urban Renewal Plan for the project, which was approved by HHFA on September 8, 1958, showed that in 1956 about 25 percent of the structures in the project area (including the

¹The estimate was subsequently reduced to 100 (see p. 34).

areas proposed for clearance and redevelopment) either were dilapidated or had major code violations and about 63 percent of the structures had no code violations. The plan states that these statistics were based on complete field inspections by the Building Department of the city of Chicago and on field surveys by the LPA's planning staff. No statistics were cited regarding the number of structures on which voluntary rehabilitation by owners would be required in order to make the structures conform to the urban renewal standards incorporated in the plan, which were somewhat higher than the city's code standards. We found no evidence in the HHFA regional office files that an attempt had been made either to verify the statistics cited by the LPA or to ascertain the scope and extent of the voluntary rehabilitation work that would be required. Although correction of code violations may involve rehabilitation, such rehabilitation is mandatory instead of voluntary.

Since the LPA's subsequent inspections show that a substantial percentage of the structures in the area will require both mandatory and voluntary rehabilitation, we believe that URA should have fully investigated the situation to determine whether large-scale voluntary rehabilitation was feasible before approving the loan and grant contract for the project.

During the planning stage of the project, the LPA awarded a contract to David Zisook and Zisook Construction Company, Inc., to study the feasibility of obtaining large-scale rehabilitation in the project area. This company made a study of 150 of the structures in the project area and concluded that rehabilitation of most of the buildings in the project area would be economically feasible if the total urban renewal plan were implemented and adequate long-term financing were available. The Zisook Company's report pointed

out that, while the proposed public programs were large, their impact would be limited to only 20 percent of the structures and that the future of the community and, hence, the urban renewal effort rested with the remaining 80 percent of the structures. With regard to the availability of long-term financing, the report stated:

"Availability of adequate financing is the key to the success of any large-scale rehabilitation program. Total neighborhood and environmental requirements cannot be achieved through the ability of a few investors to secure the necessary financial credit.

"*** Accordingly, adequate financing must be within the reach of the majority of the property owners in the neighborhood. *** Such financial assistance to be effective, however, must be available in the normal course of business procedures. If a required loan can be obtained only after months of negotiations, the ordinary investor will become discouraged and disinterested."

The report stressed the need for FHA financing under section 220 of the National Housing Act (see pp. 2 and 3) but pointed out that the use of such financing by owners of small properties would be limited and that conventional sources would have to be the largest source of loans for rehabilitation purposes.

Small properties (single-family houses, row houses, and duplexes) represent 46 percent of all residential structures in the urban renewal area. Most of these structures were in need of rehabilitation at the time of the Zisook study and were still in need of rehabilitation at the time of our review. In view of the statement in the Zisook report that most of these property owners would have to obtain conventional financing, we believe that, before HHFA executed the loan and grant contract, it should have investigated fully whether such financing would be readily available. We could find no evidence which showed that such an investigation was made.

Our review showed that there was a shortage of conventional financing during the early years of the project.

In November 1956, prior to the issuance of the Zisook report, FHA commented on the feasibility of rehabilitation in the urban renewal area as follows:

"Preliminary processing of a 72-unit apartment project indicates doubt as to the feasibility of apartment building rehabilitation. Further studies of apartment buildings and studies of other types of buildings will be undertaken upon receipt of building survey by Zisook Co. It is our opinion that the location of an apartment building in the Urban Renewal Area, its size and the amount of the indebtedness against it will be important factors in determining the extent to which rehabilitation of apartment buildings will be feasible."

After the issuance of the Zisook report, FHA made its own feasibility study and gave the project a qualified approval by stating that it would be feasible to rehabilitate some of the structures and it would not be feasible to rehabilitate others. However, FHA's qualified approval was based on a review of only 5 of the approximately 2,400 structures in the area designated for rehabilitation. The limited scope of the FHA review and FHA's very qualified conclusion as to the feasibility of the project would hardly seem to provide an adequate basis for committing Federal Expenditures of over \$28 million for the project.

The Administrator, HHFA, in reply to our finding that HHFA executed the loan and grant contract without really knowing whether sufficient conventional financing would be available, stated:

"In our opinion reasonable assurance was obtained that private financing would be available in sufficient amounts to meet project requirements."

The Administrator informed us that this opinion was based on a letter, dated July 8, 1958, from the Chicago Association of Commerce and Industry to the Executive Director, Southeast Chicago Commission (SECC), concerning private financing for the Hyde Park-Kenwood project. The Administrator said that the LPA obtained the information in this letter because of the qualified conclusion in FHA's feasibility study of the project. Moreover, he said that this letter, together with the FHA feasibility report, dated September 5, 1958, and the Zisook report were considered to be adequate support for the determination that rehabilitation was economically feasible at the time the loan and grant contract was executed.

Our examination into the background and purpose of the letter from the Chicago Association of Commerce and Industry and into the adequacy of conventional financing for the project disclosed that the private financing discussed in the letter was primarily concerned with FHA-insured loans rather than with conventional loans and that the financing concerned new construction as well as rehabilitation. Moreover, the Executive Director, SECC (the addressee of the letter), informed us that the purpose of the letter was to obtain some assurance that funds would be available for FHA-insured loans. It was hoped, he stated, that FHA participation would be a device by which conventional sources would be drawn into the Hyde Park-Kenwood area.

We believe that the availability of sufficient conventional financing for rehabilitation was not clearly demonstrated because the private financing referred to by the Administrator, and considered by him to be for conventional financing, was primarily concerned with FHA-insured loans. As conventional financing for

rehabilitation would be dependent to a great extent upon FHA's participation in the project, the qualified and inconclusive position of FHA made the availability of adequate financing very questionable. Therefore, URA was not in a sound position to judge whether the project was feasible at the time of approving the loan and grant contract.

Officials of the LPA advised us that, while availability of conventional financing at one time represented a problem, the Hyde Park-Kenwood area currently was considered in real estate circles as a good area for investment and that several Savings and Loan Associations had funds available for investment in the project. One of the LPA's financing advisers stated that, in most cases where applicants have been refused conventional loans, the prospective borrowers either were considered too old or, if the loans had been approved, would have been overfinanced.

SUPERVISION OVER REHABILITATION ACTIVITIES WAS INEFFECTIVE

After the loan and grant contract for the Hyde Park-Kenwood project had been executed, HHFA's supervision over the rehabilitation activities was not effective inasmuch as the LPA was permitted to defer emphasis on the rehabilitation phase of the project until the acquisition and demolition phases were substantially completed. The rehabilitation phase of the project should have received primary emphasis because private property owners must bear the costs of rehabilitation and raise the necessary financing whereas Government funds are available to finance the costs of acquisition and demolition. In addition, FHA's practices in underwriting mortgage insurance in connection with the rehabilitation of project properties were not in consonance with URA's policies for implementing the project, which stressed the increased property values and higher rentals that would accrue after rehabilitation. As a result, the mortgages which FHA agreed to insure were substantially smaller than those that were needed to effect the required rehabilitation.

Prompt action not taken to require emphasis on rehabilitation concurrently with other activities

Our review disclosed that the LPA's policy of deferring emphasis on rehabilitation and concentrating on the acquisition and demolition phases of the project acted as a deterrent in obtaining voluntary rehabilitation of project properties. During the first few years after work on the project commenced, the LPA encouraged property owners to rehabilitate their properties but maintained only a limited staff to provide financial and architectural assistance and did not make inspections of the properties to ascertain the nature and extent of the rehabilitation work needed. The LPA's

project coordinator advised us that these early efforts were largely ineffective because property owners could not reasonably be expected to rehabilitate their properties when nearby land had been vacant for some time as a result of the LPA's clearance activity.

The current emphasis on the rehabilitation phase of the project resulted principally from URA's belated insistence on concurrent actions. In April 1962, at the request of URA, the city's Building Department commenced making inspections of properties proposed for rehabilitation to ascertain whether there had been compliance with city code requirements. These inspections were discontinued in the fall of 1962 because of opposition to the program but were recommenced on a revised basis in June 1963 after URA had withheld a \$2-1/2 million payment on the project.

In commenting on our findings, the Chairman of the LPA's Board of Directors stated that the LPA's policy decision was based primarily on a conviction that the most urgent need was to restore confidence in the project area and to create a climate that would induce voluntary investments by property owners by enhancing amenities of the area through concentrating on the removal of deteriorated structures and the prevention of deleterious uses of other structures, and by making cleared land available for the improvement of community facilities.

The Administrator, HHFA, advised us that URA had been concerned with the lack of progress in rehabilitation and with the LPA's failure to perform the rehabilitation function concurrently with its other functions. He stated further that rehabilitation is a complex, individualized renewal technique that is much more difficult to carry out than slum clearance and redevelopment and that there is no doubt now that the time estimated for completion of the

project was woefully short of the time when the project can be said to be completed.

FHA underwriting practices not coordinated
with the rehabilitation program

In underwriting mortgage insurance for the rehabilitation of properties in the Hyde Park-Kenwood area, FHA practices were not in consonance with URA's objectives for the project. URA encouraged the LPA to "sell" the concept of voluntary rehabilitation to property owners by stressing the increased property values--and higher rentals--which would accrue in the revitalized and more desirable neighborhoods. However, in underwriting mortgage insurance, FHA--which bases its insurance principally on the amount of rental income--considered only the rental income in the neighborhood as it then existed, rather than as it will exist after rehabilitation. As a result, the mortgages which FHA agreed to insure were substantially smaller than those that were applied for and were needed to effect the required rehabilitation. FHA's practices thus contributed to the lack of progress in rehabilitating the Hyde Park-Kenwood urban renewal area.

Section 220 was added to the National Housing Act in 1954 to assist in providing the financing required for the rehabilitation of existing buildings and the construction of new dwellings in urban renewal areas. The Housing Act of 1961 amended section 220 to liberalize the basis for determining the maximum FHA insurance of mortgages covering repair and rehabilitation. Prior to the 1961 amendment, the maximum amount of mortgage insurance was based on the appraised value of the property. The amendment authorized the maximum mortgage insurance to be based on the sum of the estimated cost of repair and rehabilitation, plus the FHA Commissioner's estimate of the value of the property before repair and

rehabilitation. The amendment permits larger mortgages to more adequately finance rehabilitation and repair.

FHA is limited by several criteria as to the size of a mortgage it can insure, one of which is the debt serviceability of the property. Under this limitation, the maximum insurable mortgage is an amount which the net income of the property will support. The net income is based on FHA's estimates of the rents obtainable, after allowing for vacancies and operating expenses. We were informed that the debt-service criterion would be the limiting factor for most applications for section 220 rehabilitation mortgage insurance for multifamily dwellings in the Hyde Park-Kenwood project.

FHA's policy is to base its estimates of rents obtainable after rehabilitation on rents being obtained from comparable properties. With regard to the selection of comparable properties, the FHA Underwriting Manual states:

"Comparisons should not be confined to the delineated area; more accurate estimates of value may result from comparison with residential property in other neighborhoods, which will be competitive when the improvements committed in the Urban Renewal Plan have been completed." (Underscoring supplied.)

Our initial review at the Chicago Insuring Office disclosed that as of October 17, 1961, only five commitments for section 220 rehabilitation mortgage insurance had been made for property in the Hyde Park-Kenwood Urban Renewal area. These five commitments provided mortgage insurance for only 150 of the dwelling units in the area.

We discussed FHA's underwriting practices for the Hyde Park-Kenwood project with responsible public and private officials who are directly involved in the Hyde Park-Kenwood renewal effort. The general concensus was that the FHA underwriters' estimates of rents

obtainable were usually quite low because they failed to consider the general upgrading of the area that should occur. One of these officials stated that FHA did not give enough weight to the increase in the value of properties as a result of the new parks, schools, and other improvements that the project would bring. Another stated that FHA did not estimate rents, after rehabilitation, at a high enough level to include the appreciation of the property resulting from the renewal project. He stated that low estimates of rents had been a major factor in FHA's inability to insure mortgages in amounts near the statutory limitation authorized by the National Housing Act.

We reviewed three of the five cases on which the Chicago Insuring Office had made commitments for section 220 rehabilitation mortgage insurance. Our findings are as follows:

1. FHA Case No. 071-32016R--This property is a 40-unit, 4-story walk-up apartment building. The sponsor (the University of Chicago) paid \$210,000 for the property in May 1960. The sponsor proposed to spend \$80,000 on rehabilitating 38 of the 40 dwelling units and applied for FHA mortgage insurance for a \$290,000 loan.

In processing the sponsor's application, FHA computed a maximum insurable mortgage of only \$188,100. However, prior to the issuance of a commitment in this amount, the sponsor requested that the application be reprocessed because he believed that higher rent comparables should have been used. FHA reprocessed the application and, on the basis of the debt-service limitation, issued a maximum insurance commitment of only \$202,600.

In arriving at its estimate of rents obtainable after rehabilitation, FHA selected comparable properties consisting of other unrehabilitated properties in the project area. FHA considered these

properties to be superior as to location but physically inferior to the sponsor's property after rehabilitation. FHA estimated that, after rehabilitation, the rents obtainable would be from \$80 to \$82.50 a month for 3-room units and from \$90 to \$105 a month for 4-room units and would average \$25.55 a room each month for all units. Our review showed that the comparable properties selected by FHA had no 3-room units listed. Moreover, the FHA rent estimate for 4-room units equalled the actual current rentals and no allowance was made for increased rentals after the general upgrading of the area.

FHA limits its estimate of rents obtainable after rehabilitation to the "maximum allowable rentals." FHA computed the average maximum allowable rents for the sponsor's property to be only \$25.85 a room each month, or 30 cents a month more than the estimate of rents obtainable. Our review disclosed mathematical errors in this computation. The average maximum allowable monthly rent should have been \$31.21 a room rather than \$25.85 a room. The error is particularly important because a higher maximum allowable monthly rental would have allowed FHA to consider issuing an insurance commitment for a larger amount. The Executive Director of the Southeast Chicago Commission, who was acting for the sponsor, had suggested the use of higher rent, comparable properties located in the project area. If the suggested comparable properties had been used, the amount of the maximum insurable mortgage in this case would have been raised significantly even before consideration of the effect of the renewal program on rents in the area.

2. FHA Case No. 071-32011R--This property is a 60-unit, 3-story, walk-up apartment building. The sponsor (the University of Chicago) paid \$350,000 for the property in August 1959. In

applying for \$400,000 of FHA mortgage insurance, the sponsor stated that \$180,000 would be spent to rehabilitate the building. At that time, the monthly rentals being obtained averaged \$29.03 a room. The sponsor's total investment in the property after rehabilitation would be \$530,000.

The sponsor estimated that average monthly rents of \$34.05 per room for 176-1/2 rooms would be obtainable after rehabilitation, or a total of \$6,011 per month. The sponsor estimated also that rentals of \$775 a month for the stores in the building would be obtainable.

FHA issued a commitment of only \$315,400 based on its estimate that average monthly rents obtainable after rehabilitation would increase by only 43 cents to \$29.46 a room for 170 rooms (a total of \$5,000 a month), plus only \$745 a month for the stores. The estimated income from the stores was \$30 a month less than the actual rent then being obtained. (The difference in room count is due to different methods of counting.)

It would appear, therefore, that FHA expected that the sponsor's \$180,000 investment in rehabilitation would result in an annual increase in gross income of only \$517, as follows:

Annual income after rehabilitation:

Stores (\$745 a month for 12 months)	\$ 8,940	
Rooms (170 at \$29.46 a month for 12 months)	<u>60,098</u>	\$69,038

Annual income before rehabilitation:

Stores (\$775 a month for 12 months)	9,300	
Rooms (170 at \$29.03 a month for 12 months)	<u>59,221</u>	<u>68,521</u>
		<u>\$ 517</u>

As a result of complaints that the rents estimated by FHA were too low, FHA reprocessed the application and subsequently issued a

commitment for \$352,800. However, the increased commitment was not based upon rents obtainable after the upgrading of the area. Instead, it was brought about by correcting errors made in computing the numbers of different size units. Also, the rentals for the stores were increased to equal the current rentals.

Rehabilitation of the 60 dwelling units in this building had been completed at the time of our review and 51 of the units had been rented at the average monthly rate of \$34.23 per room, compared with the FHA estimate of \$31.59 per room. Further, it seems reasonable to expect that still higher rentals can be obtained when planned improvements in the project area have been completed. The manager of the property stated that he was certain that the remaining nine units would be rented soon.

3. FHA Case No. 071-32019R--This property is a 20-unit, 3-story apartment building in which the sponsors (two individuals) had an equity of about 65 percent. In their application to FHA for mortgage insurance of \$105,000, the sponsors estimated that total monthly rents of \$2,995 would be obtainable after rehabilitation. FHA estimated that total monthly rentals of only \$2,540 would be obtainable after rehabilitation. However, FHA's estimate was based solely on comparable properties located in the project area before rehabilitation.

In this case, FHA made a commitment to insure the amount requested by the sponsor. The decision to make this commitment, however, was due to the large equity held by the sponsor and the relatively low-ratio financing requested (63 percent of FHA's estimate of the value of the property).

The Administrator, HHFA, informed us that the rehabilitation case studies presented in our report and the related comments

substantially agreed with FHA findings and were an important basis for corrective action. He pointed out that the FHA staff members had been feeling their way with a new and entirely different concept of underwriting and that the Chicago FHA staff had believed it was following the policy of taking into account the proposed improvement to the neighborhood. He said further that the legislative amendments in 1961, which liberalized section 220 loans by basing the mortgage on "as is" value plus cost of repairs, together with corrective actions taken to improve techniques and interagency collaboration, were remedying the situation cited in our report.

SUMMARY OF AGENCY ACTIONS

With regard to urban renewal projects which contemplate significant amounts of voluntary rehabilitation, we proposed that the Administrator, HHFA, direct that loan and grant contracts not be executed until:

1. The LPA has an adequate and workable rehabilitation program.
2. URA has received adequate assurance that the required financing will be readily available.
3. URA and FHA are in complete accord as to the economic feasibility of the project and the extent to which FHA will provide section 220 mortgage insurance commitments.

The Administrator has informed us that he believes adequate measures now exist with regard to urban renewal projects which involve significant amounts of voluntary rehabilitation. Specifically, changes in the Urban Renewal Manual, dated July 12, 1962, spell out (1) requirements regarding the LPA's proposed work program for carrying out property improvements and (2) a description of financing, including, if FHA assistance is not anticipated, steps to obtain conventional financing. Also, the Administrator believes that compliance with the requirements of URA policy, as cited in LPA Letter No. 274 dated July 23, 1963, will assure that a project involving conservation and rehabilitation, once begun, will find ready acceptance by FHA for insurance commitments.

With regard to the Hyde Park-Kenwood project, we proposed that the Administrator, HHFA, direct that:

1. URA, FHA, and LPA officials evaluate the status of the project and reach a firm understanding as to what must be done to successfully complete the project and what each agency will do to further such successful completion.

2. After agreement has been reached on the means for successfully completing the project, a revised financing plan should be prepared. The revised plan should consider appropriate action to be taken with regard to all buildings which either cannot or will not be voluntarily rehabilitated.

The Administrator advised us that an evaluation of the status of the project had been proceeding for some time under the direction of the Regional Administrator. He stated that URA, FHA, and LPA officials were involved in this evaluation and that after agreement had been reached as to the roles each agency would assume in completing the project, a revised financing plan would be prepared which would take into consideration the action necessary with respect to all buildings for which voluntary rehabilitation could not be obtained. The effectiveness of the actions being taken by HHFA cannot be measured at this time.

Subsequent to the preparation of our report, the Commissioner, Urban Renewal Administration, provided additional comments stating that (1) the LPA has now developed an effective program for encouraging property owners to rehabilitate their properties and (2) the LPA anticipated that at June 30, 1964, the necessary rehabilitation either would have been completed or would be in progress on 60 percent of the buildings containing 47 percent of the dwelling units. He stated also that the LPA now estimates that only about 100 problem properties will have to be acquired for either rehabilitation or demolition instead of the 350 or 400 originally estimated.

SCOPE OF REVIEW

Our examination of the administration of rehabilitation activities at the Hyde Park-Kenwood urban renewal project was made at the HHFA Chicago regional office and at the FHA Chicago Insuring Office. Additional verification work to supplement our examination was done at the local public agency. Our examination included a review of:

1. Basic laws authorizing the program and the pertinent legislative history.
2. URA's policies and procedures and its administrative regulations applicable to the activities of local public agencies in the federally subsidized slum clearance and urban renewal program.
3. FHA's policies and procedures and its administrative regulations applicable to section 220 rehabilitation mortgage insurance activities.
4. Selected transactions and related project correspondence, documents, and other data pertaining to the Hyde Park-Kenwood slum clearance and urban renewal project.

Our initial review covered transactions through May 1962. After receiving the agency's comments on our findings, however, we made a follow-up review covering subsequent transactions through April 1964.

APPENDIXES

HOUSING AND HOME FINANCE AGENCY

PRINCIPAL OFFICIALS

RESPONSIBLE FOR THE ACTIVITIES

DISCUSSED IN THIS REPORT

	Tenure of office	
	<u>From</u>	<u>To</u>
ADMINISTRATOR, HHFA:		
Albert M. Cole	Mar. 11, 1953	Jan. 20, 1959
Norman P. Mason	Jan. 21, 1959	Jan. 20, 1961
Lewis E. Williams (acting)	Jan. 21, 1961	Feb. 10, 1961
Robert C. Weaver	Feb. 11, 1961	Present
COMMISSIONER, URA:		
Richard L. Steiner	Apr. 1, 1957	July 6, 1959
David M. Walker	July 7, 1959	Jan. 20, 1961
Charles L. Oswald (acting)	Jan. 21, 1961	Mar. 27, 1961
William L. Slayton	Mar. 28, 1961	Present
COMMISSIONER, FHA:		
Norman P. Mason	July 26, 1954	Jan. 20, 1959
Julian H. Zimmerman	Jan. 29, 1959	Oct. 21, 1960
Norman P. Mason (acting)	Oct. 22, 1960	Jan. 19, 1961
Lester H. Thompson (acting)	Jan. 20, 1961	Feb. 5, 1961
James B. Cash, Jr. (acting)	Feb. 6, 1961	Mar. 7, 1961
Neal J. Hardy	Mar. 8, 1961	Jan. 25, 1963
Paul E. Ferrero (acting)	Jan. 26, 1963	Mar. 3, 1963
Philip N. Brownstein	Mar. 4, 1963	Present
REGIONAL ADMINISTRATOR, CHICAGO		
HHFA REGIONAL OFFICE:		
John P. McCollum	July 31, 1955	Present
REGIONAL DIRECTOR OF URBAN RE- NEWAL, CHICAGO HHFA REGIONAL OF- FICE:		
Ivan D. Carson	Jan. 16, 1955	Apr. 30, 1959
Ralph L. Herod (acting)	May 1, 1959	Oct. 17, 1959
Ralph L. Herod	Oct. 18, 1959	Dec. 1, 1961

HOUSING AND HOME FINANCE AGENCY

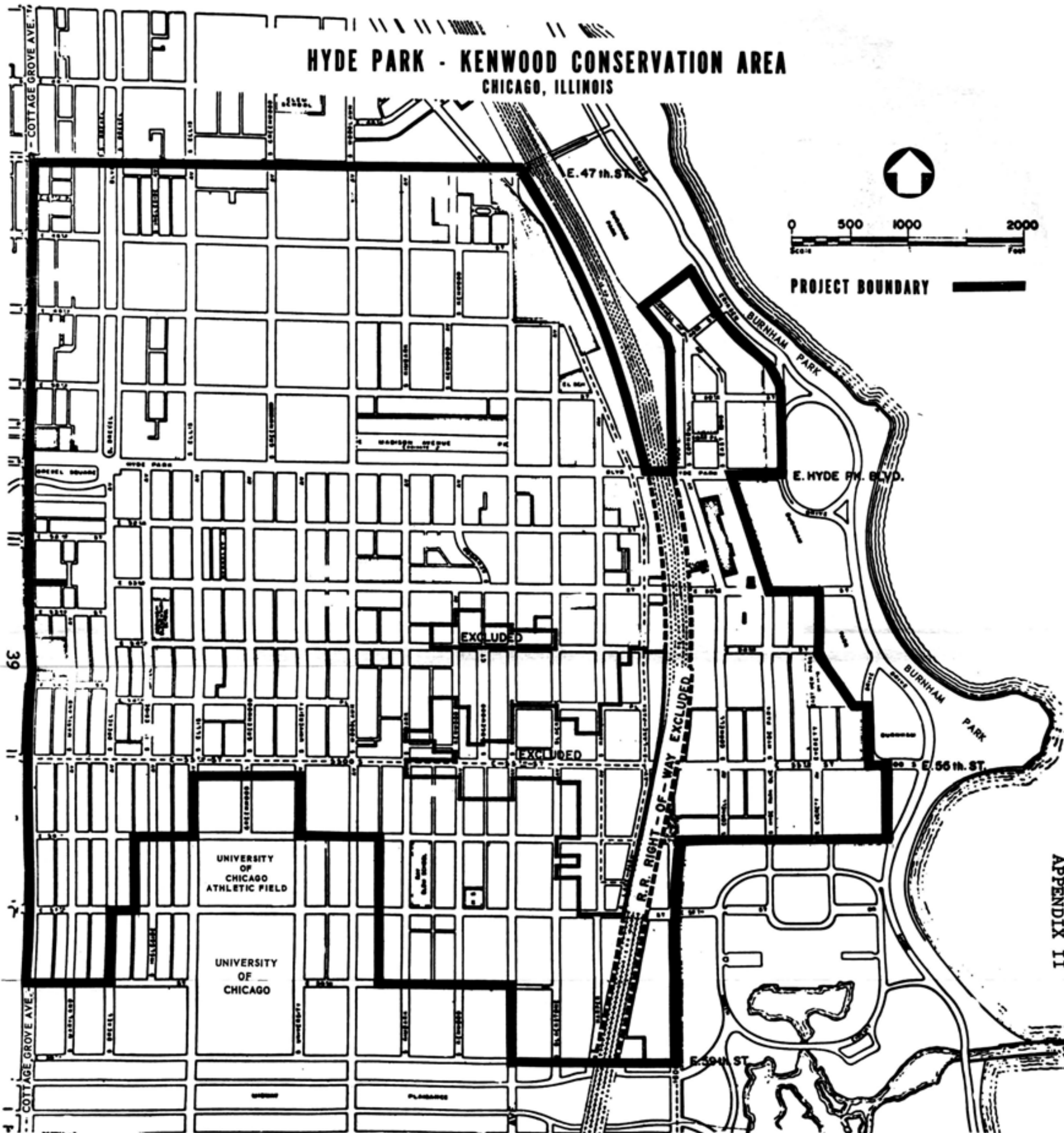
PRINCIPAL OFFICIALS

RESPONSIBLE FOR THE ACTIVITIES

DISCUSSED IN THIS REPORT (continued)

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
REGIONAL DIRECTOR OF URBAN RE- NEWAL, CHICAGO HHFA REGIONAL OF- FICE (continued):		
Stephen E. Bates (acting)	Dec. 2, 1961	Dec. 28, 1961
A. Dean Swartzel	Dec. 29, 1961	Present
REGIONAL DIRECTOR, CHICAGO FHA IN- SURING OFFICE:		
James C. Moreland	July 20, 1953	Oct. 24, 1958
Fred B. Huebenthal	Oct. 27, 1958	Feb. 6, 1960
Donald C. Jordan (acting)	Feb. 7, 1960	Feb. 25, 1960
John L. Waner	Feb. 26, 1960	Feb. 24, 1961
Joseph T. Lyons	Feb. 27, 1961	Present

HYDE PARK - KENWOOD CONSERVATION AREA CHICAGO, ILLINOIS



gah

HOUSING AND HOME FINANCE AGENCY

EXECUTIVE

(2)

7I5-4

7G245

7G245-2

September 23, 1964

MEMORANDUM FOR: Kermit Gordon
Director
Bureau of the Budget

I was quite gratified to receive the attached memorandum from Stan Baughman. This, I believe, represents a most sophisticated and executive approach to a problem of public management and I thought you would be interested in knowing about it.



Robert C. Weaver
Administrator

cc: Mr. Lee White ✓

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

September 23, 1964

EXECUTIVE

PR 9/5T9

FG 245

FOR THE PRESIDENT

SUBJECT: INTERAMA

I have received a memorandum from the Housing and Home Finance Agency indicating that they will probably approve an \$18.5 million loan for INTERAMA. You will remember this is the project Senator Holland and Congressman Pepper have been pressing. ^{CLAUDE}

Specified

It seems to me that if we will ultimately approve the project, we should get whatever political benefit there is in it before the election.

Mike

Myer Feldman

EXECUTIVE

RA

GENERAL SERVICES ADMINISTRATION FG 245

Washington 25, D. C.



SEP 21 1964

MEMORANDUM FOR THE HONORABLE LEE C. WHITE
Associate Special Counsel to the President

SUBJECT: Letter of Transmittal for Inventory Report of
Federal Areas

This is in reply to your memorandum of September 10, 1964,
inquiring whether the original letter of transmittal to
the President should be returned for use in connection with
presentation of the inventory report.

The necessary action has been taken to prepare the frontispiece
of the publication; therefore, it is unnecessary that the
letter referred to be returned.

Lawson B. Knott, Jr.
Deputy Administrator

34
EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

EXECUTIVE

FA

FG245

FG11-1

(2)

September 13, 1965

MEMORANDUM FOR THE PRESIDENT

Subject: HHFA sewer and water grants under the
1965 Housing Act

1. You requested Congressional authorization for \$200 million a year for sewer and water grants, primarily directed toward growing suburban communities.
2. The Congress authorized \$200 million a year for these facilities and made them available to practically all communities.
3. In the supplemental appropriation which you sent up several weeks ago, you requested only the \$100 million originally requested by the Administration.
4. There will be an excess of applications over funds available, so HHFA will be rationing these funds.
5. We believe, and Dr. Weaver basically agrees, that we should make a sewer and water grant only if the city undertakes comprehensive development planning so that the grants are used sensibly. This requirement would be the best possible rationing device.
6. We believe that this position may be substantially watered down in the actual administration of the grants, without an expression of your interest.

Nothing else sent to
Central Files as of 10/20/65

RECEIVED

SEP 16 1965

RECEIVED

September 1, 1964

Dear Milt:

It is difficult to wrap up in a few words my sentiments about our association over the last four years. However, as we approach the end of this Congress, I want to congratulate you on a job exceptionally well done for the Administration and for the Housing and Home Finance Agency.

A substantial share of our legislative successes is attributable to the work done by you and your staff, and I want you to know that your efforts are very much appreciated.

With my thanks for your unfailing cooperation, and with best personal wishes from me and my staff,

Sincerely yours,

LARRY

Lawrence F. O'Brian
Special Assistant
to the President

Mr. Milton P. Samer
General Counsel
Housing and Home Finance Agency
Washington, D. C.

jl/nf

August 27, 1964

EXECUTIVE

ME3-3/FG 245

FG 245

Dear Dr. Weaver:

My heartiest congratulations to you on the establishment within the Housing and Home Finance Agency of a program of honor awards for superior design.

This event commends individuals who have made outstanding contributions in the design and construction of award-winning housing, public facilities and community development built under Housing Agency programs.

This program carries beyond the immediate recognition of creative architects, designers, planners and builders. It gives us in the Federal Government an opportunity to stimulate better design in all housing and community development. Providing improved housing for our people is a challenge of great magnitude, and better design is an integral part of better housing.

The artistic talents and the skills of these award recipients advance better living conditions for more Americans and add beauty and dignity to our society.

My warm good wishes for the continued success of your endeavors.

Sincerely,

Honorable Robert C. Weaver
Administrator
Housing and Home Finance Agency
Washington, D. C.

CC: Mr. Holborn
Mr. Reedy
Mrs. Roberts
PR Unit
Central Files

LBJ:FLH:mj



Federal Housing Administration
Public Housing Administration
Federal National Mortgage Association
Community Facilities Administration
Urban Renewal Administration

Bill mayer
HOUSING AND HOME FINANCE AGENCY **EXECUTIVE**
OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D.C. 20410

Put in book
H.S.
FG 245
August 13, 1964

Hoyt
MEMORANDUM FOR:

Willa Mae Taylor
Press Office
The White House

SUBJECT:

A summary of the large gains in housing activity over 3½ years, in sharp contrast to less activity during the previous Administration

The White House may well want to make special use of the attached material, which brings up to date as of June 30, 1964, all that has been accomplished through the Housing Agency during the Kennedy-Johnson Administration. The contrast is most remarkable.

George Reedy indicated some interest in this material when I suggested it at your July 15 meeting with agency public relations officers.

Robert W. Murray Jr.
Robert W. Murray, Jr.
Special Assistant to the Administrator

Attachment

EXECUTIVE

FI 5-4

FG-243

THE WHITE HOUSE

WASHINGTON

8/14/64

Honorable Robert C. Weaver
Administrator, Housing and Home Finance
Agency, and Chairman, Board of Directors
Federal National Mortgage Association
Washington, D. C. 20410

Dear Mr. Weaver:

In response to your letter of July 15, 1964, I am making an additional \$350,000,000 of the Federal National Mortgage Association special assistance authorization available for commitments by the Association for mortgages on housing for low and moderate income families which are insured under Section 221(d)(3) of the National Housing Act and bear interest rates below the maximum under FHA regulations. This increases the amount of \$950,000,000 made available on May 15, 1964 to \$1,300,000,000.

The foregoing amount is the aggregate amount of purchases and commitments which may be outstanding at any one time, and is based upon my determination, pursuant to Section 305 of the Federal National Mortgage Association Charter Act, that such action is in the public interest. It is my intention to allocate additional sums for this program for F.Y. 1965 to the extent necessary to allow the Federal Housing Administration to accept new requests for allocation of insurance authority for a total of 40,000 units. It is my expectation that you will take appropriate action to assure that within this level sufficient authority will be available in the latter part of the fiscal year to take care of high priority requests which may be received at that time.

Sincerely,

LYNDON B. JOHNSON

EXECUTIVE

GI 2-8/W*^①
FG 245

August 4, 1964

File
"Checked by [illegible]"

Dear Mr. Weaver:

Thank you very much for seeing that I received a copy of "The Urban Complex" which you have just had published. I appreciated your thoughtfulness and was particularly pleased with the inscription you so kindly added to your book.

With my every good wish,

Sincerely,

LYNDON B. JOHNSON
Carbons stamped in /
Mr. Thomas' Office

^{*}
The Honorable Robert C. Weaver
Administrator
Housing and Home Finance Agency
Washington, D. C.

LBJ/lf/mla

Gift

RECEIVED
AUG 7 1964
CENTRAL FILES

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EXECUTIVE
FG 245

THE UNIVERSITY OF MICHIGAN
ANN ARBOR
OFFICE OF THE PRESIDENT

July 28, 1964

The President
The White House
Washington, D. C.

Dear Mr. President:

We are pleased that you have found Professor John C. Kohl's services of value to the country and, much as we miss him here, we would be glad to extend his leave of absence in order that he may continue his work with you.

Respectfully,

Harlan Hatcher
Harlan Hatcher

cvd

cc : Robert W. Evans 7/4/64

THE WHITE HOUSE

JUL 31 9 51 AM '64

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EXECUTIVE

FG 245

TN 2

PE 2-1

JUL 23 1964

Dear Dr. Hatcher:

The Urban Mass Transportation Act of 1964, which I signed on July 9, requires for its administration a person who fully understands the complexities of the urban transportation problem and whose ability and integrity is widely recognized.

Professor John C. Kohl, now on leave from the University of Michigan, has been closely associated with the development of this program since 1961. His contribution has been outstanding. His continued service here can be a major factor in the success of the program.

In light of the importance of urban mass transportation and Mr. Kohl's significant association with the program, I am most anxious that he be available to assist the Administrator of the Housing and Home Finance Agency in launching this new program. Realizing as I do your own needs for Professor Kohl's services at the University, I would not urge an extension of his leave of absence were it not of vital concern to the national welfare.

Sincerely,

LYNDON B. JOHNSON

Dr. Harlan Hatcher
President
The University of Michigan
Administration Building
Ann Arbor, Michigan

Nothing else sent to
Central Files as of 7/25/64

LBJ/LCW/leb

3

RECEIVED
JUL 24 1964
CENTRAL FILES

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

July 21, 1964

TO: Walter Jenkins

FROM: Lee C. White *Lee*

*Lee White has it
signed up for the
signature.*

I do not know whether the President has any fixed policy on requesting leaves of absences or extensions for top Federal officials. If there is no flat bar to such letters, the attached strikes me as a clear case of deserving Presidential intervention.

If the question has never arisen before, I would urge that in some select cases it would be highly desirable for the President to make specific requests of various colleges.

Encl.

*Rel. 1 chld ✓
not there*

(OK)



HOUSING AND HOME FINANCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE ADMINISTRATOR

July 17, 1964

MEMORANDUM FOR: Lee C. White
Associate Special Counsel
to the President
The White House

The University of Michigan, at levels below the President, is putting pressure on John Kohl to return during the forthcoming academic year.

I have every reason to believe that President Hatcher, who is now out of the country but who will soon return, will grant another leave of absence, if requested to do so by the President. With that in mind, I am attaching the draft of a letter to President Hatcher for President Johnson's signature.


Robert C. Weaver
Administrator

Draft
7/17/64

Dr. Harlan Hatcher, President
The University of Michigan
Administration Building
Ann Arbor, Michigan

Dear Dr. Hatcher:

The Urban Mass Transportation Act of 1964, which I signed on July 9, requires for its administration a person who fully understands the complexities of the urban transportation problem and whose ability and integrity is widely recognized.

Professor John C. Kohl, now on leave from the University of Michigan, has been closely associated with the development of this program since 1961. His contribution has been outstanding. His continued service here can be a major factor in the success of the program.

In light of the importance of urban mass transportation and Mr. Kohl's significant association with the program, I am most anxious that he be available to assist the Administrator of the Housing and Home Finance Agency in launching this new program. Realizing as I do your own needs for Professor Kohl's services at the University, I would not urge an extension of his leave of absence were it not of vital concern to the national welfare.

Sincerely,

President

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

July 22, 1964

4/3
EXECUTIVE

FG 245

PR

FG 1

BS-5/5121

MEMORANDUM FOR

Bill Moyers

When I was in Gloucester, Massachusetts, a few weeks ago I was appalled to find that signs on a prominent Accelerated Public Works project failed to include the President's name. (I'm particularly sensitive about this since I used to administer the program which is financed with appropriations to the President.)

I called Milt Semer at HHFA. Enclosed are results, BEFORE and AFTER. ^{*}_____

Paul

Paul Southwick

P.S. I had established an informal, verbal policy that all Public Works signs have President's name on them.

Nothing else sent to
General Files as of 8/4/64


THE WHITE HOUSE
WASHINGTON

July 28, 1964

MR. PRESIDENT:

For your information,

Bill Moyers

*Will you send to 
Rovachy, Jr. etc?
Thanks
mydr*

CITY of GLOUCESTER, MASS.
DEPT. OF PUBLIC WORKS
RESURFACE STREETS and HIGHWAYS
HOUSING and HOME FINANCE AGENCY
PROJECT 'A.P.W.-MASS.-16-G
CITY OF GLOUCESTER, MASS.
ENGINEERING DEPT.
WARREN BROTHERS ROADS CO
CAMBRIDGE, MASS.

ACCELERATED PUBLIC WORKS PROGRAM

**RESURFACE STREETS and HIGHWAYS
CITY OF GLOUCESTER, MASS.**

\$62,000 FEDERAL GRANT \$62,000 LOCAL SHARE

PRESIDENT LYNDON B. JOHNSON

**Housing & Home Finance Agcy
Community Facilities Admin.**

COOPERATING WITH

**Dept. of Commerce
Area Redevelopment Admin.**

Project No. APW-Mass-16G



PHOTOS SENT TO PHOTO LAB

PUBLIC WORKS PROJECT

SEWER CONSTRUCTION PROJECT
CITY OF GLOUCESTER, MASS.
WHITMAN & HOWARD, ENG'S. R.ZOPPO CO. CONTRACTORS
PROJECT NO. A.P.W. - MASS. - 15G

COMMUNITY FACILITIES ADMINISTRATION
HOUSING AND HOME FINANCE AGENCY

U.S. Department of Commerce
Area Redevelopment Administration
COOPERATING

PUBLIC WORKS PROJECT

SEWER CONSTRUCTION PROJECT
CITY OF GLOUCESTER, MASS.
\$303,500 FEDERAL GRANT \$303,500 LOCAL SHARE
PRESIDENT LYNDON B. JOHNSON

**COMMUNITY FACILITIES ADMINISTRATION
HOUSING AND HOME FINANCE AGENCY**

U.S. Department of Commerce
Area Redevelopment Administration

COOPERATING

**PROJECT NO.
APW-MASS-156**

EXECUTIVE
EXECUTIVE

FG 745-1

FG 745

July 22, 1964

Dear Mr. Comptroller General:

This is in acknowledgment of your letter of July twenty-first to the President, enclosing a copy of your report to the Congress on the audit of the Federal Housing Administration, Housing and Home Finance Agency, for the fiscal years ended June 30, 1963 and 1962.

It has been noted that two copies of this report are being sent to the Director of the Bureau of the Budget.

Sincerely,

Ralph A. Dungan
Special Assistant
to the President

Honorable Joseph Campbell
Comptroller General
of the United States
Washington, D. C.

rah



HOUSING AND HOME FINANCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE ADMINISTRATOR


July 22, 1964

EXECUTIVE 71
TH 2
FG 216-6
ST 46
FG 155-15
FG 245
FA 3
FG 216-2
SHIRLEY
Highway

MEMORANDUM FOR: Honorable Lee C. White
Associate Special Counsel
to the President
The White House

The attached memoranda are self-explanatory.

I do not want to get involved in this unless
we are sure that it will not complicate the already
difficult problems relative to D. C. rapid transit.


Robert C. Weaver
Administrator

Attachments

Nothing else sent to
Central Files as of 11/4/64

EXECUTIVE

LE/HS3

FG 245



HOUSING AND HOME FINANCE AGENCY
OFFICE OF THE ADMINISTRATOR • WASHINGTON 25, D.C.

Federal Housing Administration
Public Housing Administration
Federal National Mortgage Association
Community Facilities Administration
Urban Renewal Administration

7/21/64

MEMORANDUM FOR: The President
The White House
Washington, D. C.

The Johnson Administration has not placed a low priority on the extension of urban renewal and public housing. Rather it has quietly cooperated with Congressional leadership in assuring action on these issues before the Congress adjourns.

The timing of action on these matters is largely reflective of the strategy developed by Senator Sparkman and Representative Rains. The latter wants action in the Senate prior to action in the House. Thus, the Administration has delayed pressing too hard for housing legislation lest such action might upset Rains' time table. Now that the Senate has started to act, the President can reaffirm his concern with vigor. And he will do so.

The realities of the traffic situation in Congress, especially in light of the concern for first action in the Senate, preclude the possibility of achieving a desirable omnibus bill this session. This is why a 15 months' bill, concentrating upon extension of existing programs has been proposed in the Senate. Such extension is so vital to the nation that it cannot be endangered by prolonged debate on issues which do not have to be legislated upon this session.

I have not been able to reach the people I would want to talk to on the Washington Post.

Robert C. Weaver
Administrator



HOUSING AND HOME FINANCE AGENCY

WASHINGTON 25, D. C.

①
EXECUTIVE

LG
76245

OFFICE OF THE ADMINISTRATOR

July 21, 1964

MEMORANDUM FOR: Honorable Lee C. White
The White House
Washington, D. C.

I am attaching two memoranda. The first relates to urban extension and the second has been inspired by the discussions which I have had relative to the Task Force on Urban Problems. The latter memorandum was prepared at the request of Bill Moyers.

RL
Robert C. Weaver
Administrator

Enclosures

— *emj*

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

1.6 EXECUTIVE

PES ③

FG 245

FG 11-1

JUL 20 1964

PE 7

MEMORANDUM FOR MR. RALPH DUNGAN

You sent me a note on July 10, criticizing the lag in straightening out the "overtime" situation in HHFA.

The chronology looks like this:

- You sent us the complaint on January 14, and we went right after HHFA.
- HHFA took immediate steps to correct the abuses of overtime cited in the complaint, to the extent that they were valid. On January 27, Weaver certified in writing to us that orders had been issued precluding overtime on the heels of either annual or sick leave.
- On January 29, I reported to you that an investigation was being made and that new regulations had been issued to govern leave and overtime.
- On February 24, I sent you another memorandum enclosing Weaver's most recent report of measures taken concerning overtime abuses.
- On July 6, I sent you the further note which triggered your comments of July 10.

The HHFA situation involved two things. First, abuses in assigning people to work overtime. Second, the habitual use of overtime by HHFA to handle an indigestible workload. The latter was the real problem, and it took some time to straighten out the agency's staffing and procedures so that it isn't necessary to resort to perpetual overtime.

Nothing else sent to
Central Files as of

7-21-64

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CENTRAL FILES



REGION VI

HOUSING AND HOME FINANCE AGENCY
OFFICE OF THE REGIONAL ADMINISTRATOR

450 Golden Gate Avenue
Box 36003
San Francisco, California 94102

EXECUTIVE

PE

76245

July 9, 1964

Mr. Lee C. White
Associate Special Counsel
to the President
The White House, Washington

Dear Mr. Lee:

Re Federal Participation at Segregated Meetings

I was interested and revived at reading the contents of your letter of June 12, 1964 on the above subject.

In my position as Regional Administrator, HHFA, I am a member of the San Francisco Federal Executive Board, and have named as my alternate my Deputy, Mr. Robert B. Pitts. Mr. Pitts is, incidentally, a Negro and is my most loyal and talented subordinate. I have purposely taken occasion to assign Mr. Pitts to represent me at various meetings of the Local Federal Executive Board. So far as I know, he is always the only Negro member in attendance. He has always represented me with distinction and appropriate contributions to the matters under discussion.

I am sure that this answers the spirit of your letter and is a demonstration of compliance by this office with its objectives.

Sincerely yours,

J. G. Melville
J. G. Melville
Regional Administrator

EXECUTIVE

PL5

FG 245

July 6, 1964

MEMORANDUM FOR

**Honorable Robert F. Weaver
Administrator, Housing and
Home Finance Agency**

From: Bill Moyers

**As confirmation of the President's
announcement at the meeting of the
Cabinet on July 2, he is asking you
to prepare position papers on housing
and the cities and suburbs.**

**I am attaching another copy of the
memorandum outlining certain require-
ments for these papers.**

Thank you for your help.



Federal Housing Administration
Public Housing Administration
Federal National Mortgage Association
Community Facilities Administration
Urban Renewal Administration

HOUSING AND HOME FINANCE AGENCY
OFFICE OF THE ADMINISTRATOR • WASHINGTON 25, D.C.

EXECUTIVE

PE

76 245

JUL 2 1964

MEMORANDUM FOR: Lee C. White
Associate Special Counsel
to the President
The White House
Washington, D. C.

Enclosed is a copy of a memorandum distributed to all principal staff members of the Housing and Home Finance Agency on the subject of Federal Participation at Segregated Meetings. This memorandum was prepared as an initial step in implementing the policy expressed in your Memorandum of June 12, 1964 on the same subject.

Robert C. Weaver
Administrator

Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

EXECUTIVE

LE/TN2

(5)

TN2

NE 8-1

FA

FG 245

FG 11-1

JUN 20 1964

MEMORANDUM FOR LEE WHITE

Subject: Pending mass transit legislation

Attached is a summary of (1) the major features of H.R. 3881 as passed by the House on June 25, 1964, compared with the Administration's bill and (2) the major features of S. 6 passed by the Senate which are not included in the House-passed bill.

We understand there is some possibility that the Senate may act on the House-passed bill today and avoid going to conference. In general, the House bill closely resembles the Administration's bill with the following major exceptions:

(1) a strict Buy American provision — this is clearly contrary to the Administration's trade promotion and tariff adjustment programs. As written, it appears to give the Administrator no flexibility.

(2) restrictive labor protective provisions -- the provisions adopted by the House are almost identical to those in the Senate bill except that the House made the Secretary of Labor the sole arbiter of these provisions. These provisions were strongly objected to by Director Gordon and Chairman Heller for reasons set forth in their memorandum to the President of May 28, 1963. In addition to the objections on principle, the provisions may increase the cost of the program and make it unavailable to localities in States where state law prohibits collective bargaining by public agencies.

(3) the authorization for grants is reduced — This reduction in authorization for appropriations for grants from \$500 million to \$375 million appears acceptable.

We understand that tactical considerations may necessitate Senate acceptance of the House bill, without conference. We assume this will be done only after appropriate weighing of the points above, particularly (1) and (2).

If instead of passing the House bill, the Senate should decide to send it to conference, it will be necessary for the Administration to decide whether and how to seek the elimination or revision of the major provisions of S. 6, summarized in the attachment. If it should be decided to go along with the loan guarantee feature of S. 6, major revisions of the bill will be essential if the program is to be made workable.

La Hughes
Assistant Director for
Legislative Reference

*Rec'd
CP
Nov 21/64*

Nothing else sent to
Central Files as of 11/3/64

K²⁻⁶
U
EXHIBIT

ME 11/22

FG 245

MA.

PE

June 18, 1964

Dear Bill:

I have just learned of your selection as ^{*}Civil
Servant of the Year by the Fort Worth Federal
Business Association. X

Please accept my belated but sincere congratulations.
Your qualities of leadership and efficiency are
representative of the Civil Servants of our Govern-
ment and the honor is well deserved.

My warmest personal regards.

Sincerely,

LYNDON B. JOHNSON

^{*}
Mr. William W. ^{*}Collins, Jr.
Regional Administrator
Housing and Home Finance Agency
Fort Worth, Texas

LBJ:IS:GN
3

LYNDON B. JOHNSON
Carbon stamped in
Mr. Thomas' office

CENTRAL

W4
RJ
EXECUTIVE

FG245

HS3/ST16

FG405

RAI

June 18, 1964

Dear Mr. Comptroller General:

This is in acknowledgment of your letter of June seventeenth to the President, enclosing a copy of your report to the Congress concerning the Housing and Home Finance Agency's approval of the acquisition and demolition of sound structures without adequate consideration of less costly methods of redevelopment in the Keyway urban renewal project, Topeka, Kansas.

It has been noted that two copies of this report are being sent to the Director of the Bureau of the Budget.

Sincerely,

Ralph A. Dungan
Special Assistant
to the President

Honorable Joseph Campbell
Comptroller General
of the United States
Washington, D. C.

rah

4

RECEIVED
JUN 19 1964
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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

6/17/64

B-118754

June 17, 1964

Dear Mr. President:

Herewith is a copy of our report to the Congress concerning the Housing and Home Finance Agency's approval of the acquisition and demolition of sound structures without adequate consideration of less costly methods of redevelopment in the Keyway urban renewal project, Topeka, Kansas.

Two copies of this report are also being sent today to the Director, Bureau of the Budget.

Respectfully yours,

A handwritten signature in dark ink, which appears to read "Joseph Campbell", is written over the typed name.

Comptroller General
of the United States

Enclosure

The President
The White House

The White House
Washington

1964 JUN 17 PM 4 05

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**SOUND STRUCTURES SCHEDULED FOR DEMOLITION
WITHOUT ADEQUATE CONSIDERATION OF
LESS COSTLY METHODS OF REDEVELOPMENT
KEYWAY URBAN RENEWAL PROJECT, TOPEKA, KANSAS**

HOUSING AND HOME FINANCE AGENCY



**BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES**

JUNE 1964



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

B-118754

JUN 17 1964

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

The Fort Worth regional office, Housing and Home Finance Agency, approved in March 1961 an urban renewal plan for the Keyway project, Topeka, Kansas, which provided for the acquisition and demolition of five structurally sound buildings valued at about \$350,000, without giving adequate consideration to less costly methods of redevelopment. We proposed to the Commissioner, Urban Renewal Administration, that Fort Worth regional officials review the planned demolition of the structurally sound buildings and that the Federal Government not share in the cost of acquiring and demolishing any such buildings that could be successfully integrated into the project. Subsequent to our review, the Commissioner informed us that the local public agency would attempt to integrate two of the properties, valued at about \$190,000, into the project. Because the regional office did not thoroughly and critically evaluate the proposed demolition of these two sound properties, the cost of the project, two thirds of which will be borne by the Federal Government, might have been unnecessarily increased.

With regard to the other three properties, the Commissioner informed us that the local public agency's staff and planning consultants had made a subsequent review and decided that it was necessary that the structures be acquired and demolished. The Commissioner concluded that, in view of the local public agency's actions, he contemplated no further action on our proposal.

Although the amount of demolition proposed by a city is a matter of local concern and the local public agency may be justified in demolishing the buildings, we believe that it is incumbent upon the Housing and Home Finance Agency regional office to thoroughly evaluate proposed demolition in order to determine whether adequate consideration was given to less costly methods of redevelopment and to determine the extent to which the Federal Government will share in the cost. We previously commented on the Agency's tendency to rely upon local representations without adequate review in our report to the Congress, dated June 28, 1963, on the "Premature Approval of Large-Scale Demolition for

Erievue Urban Renewal Project I, Cleveland, Ohio." In the report on Erievue, we recommended more effective administration of the Urban Renewal Administration's policy that the Government will not share in the cost of acquiring and demolishing properties which can be improved and successfully integrated into a project. To implement that recommendation, we believe that the Agency's review of local proposals should include a comparison of the cost and benefits of demolition of sound structures with the cost and benefits of less costly methods of redevelopment to determine whether demolition is warranted.

We are recommending in this report that the Commissioner, Urban Renewal Administration, direct that qualified Housing and Home Finance Agency personnel make thorough and critical on-site reviews and evaluations of local proposals to demolish sound structures to determine whether adequate consideration was given to alternative methods of redevelopment and whether such structures can be successfully integrated into a project. We are recommending also that the Federal Government not share in the cost of acquiring and demolishing any sound structures when less costly methods of redevelopment are feasible.

Comments of the Commissioner, Urban Renewal Administration, and the Executive Director of the Topeka local public agency have been considered in preparation of this report.

Copies of this report are being sent to the President of the United States; the Administrator, Housing and Home Finance Agency; and the Commissioner, Urban Renewal Administration.

A handwritten signature in dark ink, appearing to read "Lynn Campbell", is written in a cursive style.

Comptroller General
of the United States

CONTENTS

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Principal officials responsible for the activities examined in our review	9

REPORT ON
SOUND STRUCTURES SCHEDULED FOR DEMOLITION
WITHOUT ADEQUATE CONSIDERATION OF
LESS COSTLY METHODS OF REDEVELOPMENT
KEYWAY URBAN RENEWAL PROJECT, TOPEKA, KANSAS
HOUSING AND HOME FINANCE AGENCY

INTRODUCTION

The General Accounting Office has made a review of the approval by the Fort Worth regional office, Housing and Home Finance Agency (HHFA), of proposals to acquire and demolish structurally sound buildings in the Keyway slum clearance and urban renewal project, Topeka, Kansas. The review consisted of an examination into the policies and practices followed by the Fort Worth regional office in approving the plan of the Topeka local public agency (LPA) to acquire and demolish certain structurally sound buildings in the Keyway urban renewal project. We examined pertinent records and interviewed appropriate officials at the Fort Worth regional office and the Topeka LPA. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

The urban renewal program is authorized by title I of the Housing Act of 1949, as amended (42 U.S.C. 1450). This act authorizes Federal financial assistance through advances, loans, and capital grants to local communities for the purpose of (1) assisting in the elimination and prevention of the spread of slums and blighted or deteriorating areas and (2) providing maximum opportunity for the redevelopment, rehabilitation, and conservation of such areas by private enterprise.

Pursuant to section 106 of the Housing Act of 1949, as amended (42 U.S.C. 1456), the Administrator, HHFA, delegated to the Commissioner, Urban Renewal Administration (URA), broad authority for administering the urban renewal program. The URA office is in Washington, D.C.; the field activities of the program are carried out by the seven regional offices of HHFA. A list of principal officials responsible for the activities examined in our review is presented as the appendix of this report.

The prime responsibility for initiating and administering the slum clearance and urban renewal program at the local level is placed with the communities themselves. Each slum clearance and urban renewal project is carried out by a local public agency--any State, county, municipality, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project for which assistance is sought.

Under the procedures established by URA for undertaking a slum clearance and urban renewal project, an LPA is responsible for planning the project; acquiring the land in the project area; temporarily operating and maintaining the acquired project properties; assisting families in the project area to relocate into decent, safe, and sanitary housing; and demolishing the existing structures. Upon completion of these activities, the LPA may sell or lease the project land to private or public redevelopers or may retain the land for its own use in accordance with the redevelopment plan.

To assist in the administration of the program, URA has issued an Urban Renewal Manual which contains the policies, procedures, and requirements to be adhered to by the LPAs in undertaking a slum clearance and urban renewal project pursuant to title I of the Housing Act of 1949, as amended. The HHFA regional offices are responsible for determining whether LPAs follow the requirements of the manual with respect to the submission of project proposals and subsequent execution of the project.

The project costs in which the local community and the Federal Government share arise principally from (1) planning, (2) acquisition of land and improvements, (3) demolition of existing structures, (4) provision of certain necessary improvements and supporting facilities, and (5) administration of the project by the LPA. These costs constitute the gross cost of a project. Sections 103 and 104 of the Housing Act of 1949, as amended (42 U.S.C. 1453, 1454), provide that the net cost of a project (i. e., gross cost, less proceeds from the disposition of the land) generally will be shared two thirds by the Federal Government and one third by the community. The net cost of the Keyway project is shared on this basis.

SOUND STRUCTURES SCHEDULED FOR DEMOLITION WITHOUT ADEQUATE CONSIDERATION OF LESS COSTLY METHODS OF REDEVELOPMENT

The Fort Worth HHFA regional office approved the urban renewal plan for the Keyway project, Topeka, Kansas, which provided for the acquisition and demolition of five structurally sound buildings valued at about \$350,000, without giving adequate consideration to less costly methods of redevelopment. We proposed to the Commissioner, URA, that Fort Worth regional officials review the planned demolition of the structurally sound buildings and that the Federal Government not share in the cost of acquiring and demolishing any such buildings that could be successfully integrated into the project. Subsequent to our review, the Commissioner informed us that the LPA would attempt to integrate two of the properties, valued at about \$190,000, into the project. Because the regional office did not thoroughly and critically evaluate the proposed demolition of these two sound properties, the cost of the project, two thirds of which will be borne by the Federal Government, might have been unnecessarily increased.

Generally, the largest single item of the cost of a project is the cost of acquiring land and improvements thereon. With regard to land and improvements, section 110(c) of the Housing Act of 1949, as amended, authorizes the following.

"(1) acquisition of (i) a slum area or a deteriorated or deteriorating area, or (ii) land which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community, ***."

* * * * *

"(6) acquisition of any other real property in the urban renewal area where necessary to eliminate unhealthful, insanitary or unsafe conditions, lessen density, eliminate obsolete or other uses detrimental to the public welfare, or otherwise to remove or prevent the spread of blight or deterioration, or to provide land for needed public facilities, ***."

The Urban Renewal Manual (chapter 10-1) provides that LPAs show that the proposed extent of clearance is warranted, justify the acquisition of individual parcels of basically sound property which involves high acquisition costs, and show that adequate consideration was given to proposals which permit a maximum number of sound structures to remain in the area. The manual provides also that HHFA will not concur in the acquisition, for demolition, of property that is of such quality and potential use that its retention is compatible with the achievement of the urban renewal plan objectives for the project area.

The original loan and grant contract for the Keyway project was executed in June 1959 and provided for a Federal loan of \$13,595,528 and a Federal grant of \$7,489,235. In July 1959, however, some property owners initiated a lawsuit against the LPA, alleging that the city of Topeka acted "arbitrarily, capriciously, and unlawfully" in finding the project site to be a slum and blighted area and in approving an urban renewal plan for the area. Subsequently, the lawsuit was withdrawn because the LPA board of directors, the city council, and the city planning board agreed to delete nine complete city blocks and parts of two others from the project area.

The Topeka LPA submitted an amended loan and grant application to the Fort Worth HHFA regional office on January 30, 1961. The application provided for the acquisition and clearance of all property within the revised Keyway project area except for 19 parcels that were considered to be suitable for retention. On March 20, 1961, the HHFA regional office approved the amended application which provided for an \$8,739,079 loan and a \$5,997,250 capital grant.

In a physical survey report dated October 7, 1960, a consulting engineering firm retained by the LPA classified each structure in the project area in one of the following categories.

- Dilapidated - Requiring repairs that are not economically feasible for current occupancy.
- Deteriorated - Requiring extensive and costly repairs to place the structure in satisfactory condition for current occupancy.
- Good Condition - Requiring small or moderate repairs for current occupancy.

Five of the structures classified as being in good condition were scheduled for acquisition and demolition. These properties were valued at \$377,950 and \$356,100 in the first and second appraisals, respectively. The five properties were located in areas that were to be zoned as light industrial or commercial. Also, the properties--three warehouses, a service station, and a laundry--appeared to us to be used for purposes consistent with the redevelopment and land use objectives of the urban renewal plan.

For example, a produce warehouse located on block 6, parcel 4, was classified as being in good condition. Although operation of a warehouse conformed to the land use specified in the urban renewal plan, the plan provided that this property be acquired and demolished. The Fort Worth HHFA regional office approved a maximum acquisition price of \$163,000 for the property. The LPA Director of Operations informed us that the company used the public street for a loading facility and that the only alternative was to acquire and demolish the building. We noted that the original loan and grant application listed block 6, parcel 4, with those properties in the project area having a high acquisition cost and contained the following information with respect to the property.

"This property is an excellent facility for its present use. There are considerable refrigeration facilities and cooler and locker rooms especially constructed for this type of operation. This property could be adapted to conform to the proposed land use in this area. The present system of loading and unloading operations, however, would have to be changed so that compliance could be gained in that respect. It would be necessary for the present operators to acquire additional ground for this purpose and make minor revisions in the appearance of the front of the building. It is suggested that this building be retained in the area--a suggestion also concurred in by the appraisers. It is quite possible that this result can be achieved with the cooperation of the present owner."

We noted also that the urban renewal plan provided that the LPA acquire land on both the north and south sides of the warehouse. Consequently, it appears that the LPA could provide the necessary land on either side of the

warehouse to eliminate the undesirable use of the street for loading and unloading purposes.

In our opinion, the Fort Worth regional office should have made a more thorough examination of the LPA's plan to acquire and demolish basically sound buildings before approving the urban renewal plan.

To avoid an unnecessary increase in the Federal Government's share of the costs of this project, we proposed that the Commissioner, URA, require Fort Worth regional officials to review the remaining structurally sound buildings in the Keyway project and that the Federal Government not share in the cost of acquiring and demolishing any such buildings which could be successfully integrated into the project.

The Commissioner informed us by letter dated August 5, 1963, that:

"Urban Renewal Plans, which are prepared for projects involving both clearance and rehabilitation, must be so written as to leave some latitude in the hands of the LPA under which it can acquire those properties which, either through refusal or inability of the owner, cannot be brought to an acceptable project standard by modification of structures or provision of additional land necessary for off-street parking and loading. Without the right to acquire properties which are deficient in these respects, the LPA would be extremely handicapped in carrying an Urban Renewal Plan to successful completion."

Although there may be a need to include in the urban renewal plan the right to acquire properties such as those described by the Commissioner, the plan for the Keyway project provided not only for the acquisition of such structures but for their demolition as well.

The Commissioner informed us also that the LPA advised HHFA that two properties valued at about \$190,000--the produce warehouse on block 6, parcel 4, and a warehouse used by a transfer and storage company--had been or would be offered for sale subject to rehabilitation, along with the required land for off-street parking and loading, and that the buildings would be demolished only if no proposals that met the requirements of the plan were received for their utilization. The proposed retention of the two buildings that had been scheduled for demolition indicates that adequate consideration had not been given to less costly methods of renewal when the urban renewal plan was approved.

With regard to the other three properties, the Commissioner informed us that the LPA's staff and planning consultants had made a subsequent review and decided that it was necessary that the structures be acquired and demolished. The Commissioner concluded that, in view of the LPA's actions, he contemplated no further action on our proposal. The amount of demolition proposed by a city is a matter of local concern, and the LPA may be justified in demolishing the three buildings. We believe, however, that it is incumbent upon the HHFA regional office to thoroughly evaluate proposed demolition in

considered and to determine the extent to which the Federal Government will share in the cost.

We previously commented on the Agency's tendency to rely upon local representations without adequate review in our report to the Congress on the "Premature Approval of Large-Scale Demolition for Erieview Urban Renewal Project I, Cleveland, Ohio, by the Urban Renewal Administration, Housing and Home Finance Agency" (B-118754, dated June 28, 1963). We expressed our belief that, because of the broad powers given to the Administrator, HHFA, and the Commissioner, URA, by the urban renewal legislation, these officials have special responsibilities to establish rules and regulations which will enable the Agency to administer the urban renewal program to accomplish its purposes in the most efficient and prudent manner. We expressed our belief that URA should thoroughly and objectively evaluate proposals made by communities in order to arrive at an informed judgment as to the extent to which the Federal Government should participate in the cost of such proposals. We recommended that the Administrator, HHFA, and the Commissioner, URA, take the necessary steps to obtain more effective administration, at all levels, of URA's established policy that the Government will not share in the cost of acquiring and demolishing properties which can be improved and successfully integrated into a project.

We believe that such a recommendation can best be implemented by having HHFA specialists make thorough and critical reviews and evaluations of local proposals to acquire and to demolish structurally sound buildings, which involve high acquisition costs, to determine whether less costly methods of redevelopment were adequately considered and whether such buildings can be successfully integrated into a project area. The review should also include a comparison of the cost and benefits of demolition of sound structures with the cost and benefits of less costly methods of redevelopment to determine whether the additional cost of demolition would be commensurate with the results obtained.

Recommendations

Accordingly, we recommend that the Commissioner, URA, direct that qualified HHFA personnel make thorough and critical on-site reviews and evaluations of local proposals to demolish sound structures to determine whether adequate consideration was given to alternative methods of redevelopment and whether such structures can be successfully integrated into a project. We recommend also that the Federal Government not share in the cost of acquiring and demolishing any sound structures when less costly methods of redevelopment are feasible.

APPENDIX

HOUSING AND HOME FINANCE AGENCY

PRINCIPAL OFFICIALS

RESPONSIBLE FOR THE ACTIVITIES EXAMINED IN OUR REVIEW

	Tenure of office	
	<u>From</u>	<u>To</u>
ADMINISTRATOR, HHFA:		
Albert M. Cole	Mar. 1953	Jan. 1959
Norman P. Mason	Jan. 1959	Jan. 1961
Lewis E. Williams (Acting)	Jan. 1961	Feb. 1961
Robert C. Weaver	Feb. 1961	Present
COMMISSIONER, URA:		
Richard L. Steiner	Apr. 1957	July 1959
David M. Walker	July 1959	Jan. 1961
Charles L. Oswald (Acting)	Jan. 1961	Mar. 1961
William L. Slayton	Mar. 1961	Present
REGIONAL ADMINISTRATOR, FORT WORTH HHFA REGIONAL OFFICE:		
Waldemar H. Sindt	Dec. 1955	Feb. 1960
John A. Foster	Feb. 1960	Mar. 1961
Roderick A. Bethune (Acting)	Mar. 1961	Sept. 1961
Roderick A. Bethune	Sept. 1961	Dec. 1962
Robert C. Robinson (Acting)	Jan. 1963	Mar. 1963
William W. Collins, Jr.	Mar. 1963	Present
REGIONAL DIRECTOR OF URBAN RENEWAL, FORT WORTH HHFA REGIONAL OFFICE:		
Robert C. Robinson	Jan. 1955	Oct. 1961
Leonard E. Church	Nov. 1961	Present

EXECUTIVE

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FG 245-

FG 245-4

ST 16

ST 25-

FG 405-

June 15, 1964

Dear Mr. Comptroller General:

This is in acknowledgment of your letter of June twelfth to the President, enclosing a copy of your report to the Congress on inadequate relocation assistance to families displaced from certain urban renewal projects in Kansas and Missouri administered by the Fort Worth regional office, Housing and Home Finance Agency.

It has been noted that two copies of this report are being sent to the Director of the Bureau of the Budget.

Sincerely,

Ralph A. Dungan
Special Assistant
to the President

Honorable Joseph Campbell
Comptroller General
of the United States
Washington, D. C.

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order to determine whether less costly methods of renewal were adequately considered and to determine the extent to which the Federal Government will share in the cost.

We previously commented on the Agency's tendency to rely upon local representations without adequate review in our report to the Congress on the "Premature Approval of Large-Scale Demolition for Erieview Urban Renewal Project I, Cleveland, Ohio, by the Urban Renewal Administration, Housing and Home Finance Agency" (B-118754, dated June 28, 1963). We expressed our belief that, because of the broad powers given to the Administrator, HHFA, and the Commissioner, URA, by the urban renewal legislation, these officials have special responsibilities to establish rules and regulations which will enable the Agency to administer the urban renewal program to accomplish its purposes in the most efficient and prudent manner. We expressed our belief that URA should thoroughly and objectively evaluate proposals made by communities in order to arrive at an informed judgment as to the extent to which the Federal Government should participate in the cost of such proposals. We recommended that the Administrator, HHFA, and the Commissioner, URA, take the necessary steps to obtain more effective administration, at all levels, of URA's established policy that the Government will not share in the cost of acquiring and demolishing properties which can be improved and successfully integrated into a project.

We believe that such a recommendation can best be implemented by having HHFA specialists make thorough and critical reviews and evaluations of local proposals to acquire and to demolish structurally sound buildings, which involve high acquisition costs, to determine whether less costly methods of redevelopment were adequately considered and whether such buildings can be successfully integrated into a project area. The review should also include a comparison of the cost and benefits of demolition of sound structures with the cost and benefits of less costly methods of redevelopment to determine whether the additional cost of demolition would be commensurate with the results obtained.

Recommendations

Accordingly, we recommend that the Commissioner, URA, direct that qualified HHFA personnel make thorough and critical on-site reviews and evaluations of local proposals to demolish sound structures to determine whether adequate consideration was given to alternative methods of redevelopment and whether such structures can be successfully integrated into a project. We recommend also that the Federal Government not share in the cost of acquiring and demolishing any sound structures when less costly methods of redevelopment are feasible.

The White House
Washington

1964 JUN 15 PM 12 50

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**INADEQUATE RELOCATION ASSISTANCE
TO FAMILIES
DISPLACED FROM CERTAIN URBAN RENEWAL PROJECTS
IN KANSAS AND MISSOURI
ADMINISTERED BY
FORT WORTH REGIONAL OFFICE**

HOUSING AND HOME FINANCE AGENCY



**BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES**

JUNE 1964



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

B-118754

JUN 12 1964

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

In our review of the relocation of families displaced from selected urban renewal projects administered by the Fort Worth regional office, Housing and Home Finance Agency, we noted that a significant number of the families displaced from urban renewal projects in St. Louis, Missouri, and Kansas City, Kansas, were relocated into substandard housing and that a substantial number of the families displaced in these cities and in Columbia, Missouri, were not afforded relocation assistance. We believe that the regional office's supervision and review of relocation activities of local public agencies were not adequate to fulfill the intent of title I of the Housing Act of 1949, as amended, that displaced families be afforded an opportunity to relocate into decent, safe and sanitary housing.

The Commissioner, Urban Renewal Administration, has informed us that he has taken certain actions and that he plans to take other actions which we believe will, if properly implemented, significantly improve the agency's administration of relocation activities.

Copies of this report are being sent to the President of the United States; the Administrator, Housing and Home Finance Agency; and the Commissioner, Urban Renewal Administration.

A handwritten signature in cursive script, reading 'Roger Campbell', is written in black ink.

Comptroller General
of the United States

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REPORT ON
INADEQUATE RELOCATION ASSISTANCE
TO FAMILIES
DISPLACED FROM CERTAIN URBAN RENEWAL PROJECTS
IN KANSAS AND MISSOURI
ADMINISTERED BY
FORT WORTH REGIONAL OFFICE
HOUSING AND HOME FINANCE AGENCY

INTRODUCTION

The General Accounting Office has made a review of the relocation of families displaced from selected urban renewal projects in Kansas and Missouri. The Fort Worth regional office, Housing and Home Finance Agency (HHFA), has jurisdiction over the administration of the urban renewal program in eight States, including Kansas and Missouri. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The scope of our review is described on page 14 of this report.

The urban renewal program is authorized by title I of the Housing Act of 1949, as amended (42 U.S.C. 1450). This act authorizes Federal financial assistance through advances, loans, and capital grants to local communities for the purpose of (1) assisting in the elimination and prevention of the spread of slums and blighted or deteriorating areas and (2) providing maximum opportunity for the redevelopment, rehabilitation, and conservation of such areas by private enterprise.

Pursuant to section 106 of the Housing Act of 1949, as amended (42 U.S.C. 1456), the Administrator, HHFA, delegated to the Commissioner, Urban Renewal Administration (URA), broad authority for administering the urban renewal program. The URA office is located in Washington, D.C.; the field activities of the program are carried out by the seven HHFA regional offices. A list of principal officials responsible for the activities examined in our review is presented as the appendix of this report.

The prime responsibility for initiating and administering the urban renewal program at the local level is placed with the communities themselves. Each urban renewal project is carried out by a local public agency (LPA) which is defined by statute as any State, county, municipality, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project for which assistance is sought.

To assist in the administration of the program, URA has issued an Urban Renewal Manual which contains the policies, procedures, and requirements to be adhered to by the LPAs in undertaking an urban renewal project pursuant to title I of the Housing Act of 1949, as amended. The HHFA regional offices are responsible for determining whether LPAs follow the requirements set forth in the manual, with respect to the submission of project proposals and subsequent execution of the project.

BACKGROUND

In most urban renewal projects, a problem arises with regard to families displaced from the urban renewal areas. These families are often from low-income minority groups with limited means of acquiring adequate housing in other areas. Even though the LPA makes relocation payments (from funds provided by the Federal Government) to cover the costs of moving, the requirement to move often places a financial burden on these families. When there is insufficient standard housing for displaced families, such families tend to move into, and further congest, existing slums or deteriorating areas. Inadequate housing resources or improper relocation plans could result in shifting slum conditions from one area of a city to another.

The Congress recognized this problem, and one objective of enacting section 105 of title I of the Housing Act of 1949 was to provide that families displaced by urban renewal activities be rehoused in decent, safe, and sanitary housing, with a minimum amount of hardship. Section 105(c) of the act provides that contracts for loans or capital grants require that:

"There be a feasible method for the temporary relocation of families displaced from the urban renewal area, and that there are or are being provided, in the urban renewal area or in other areas not generally less desirable in regard to public utilities and public and commercial facilities and at rents or prices within the financial means of the families displaced from the urban renewal area, decent, safe, and sanitary dwellings equal in number to the number of and available to such displaced families and reasonably accessible to their places of employment."

In Report No. 1, transmitted to the House Committee on Banking and Currency on January 31, 1956, the Subcommittee on Housing made the following comments on the relocation of displaced families:

"*** the subcommittee is concerned that adequate safeguards are being taken to see that such families are transferred, as painlessly as possible, to alternative decent housing which they can afford. *** The subcommittee urges that the Federal authorities charged with overseeing relocation responsibilities exercise increased vigilance to make sure that the municipalities are in fact doing an effective and humane job in this area. Every effort should be made to insure a workable relocation plan with adequate

personnel to supervise the working out of the program. If displaced families are merely shunted to another slum area or an area which is on the verge of becoming a slum, the problem is only aggravated further." (Underscoring supplied.)

Although the law itself does not specifically direct the LPA to relocate families, it indirectly imposes this obligation on the LPA. Accordingly, the URA relocation requirements, which are intended to carry out the declared purpose of title I of the Housing Act of 1949, as amended, provide for the acceptance of such an obligation by the LPA.

Prior to the execution of a loan and grant contract, the LPA must submit a relocation plan to the HHFA regional office. This plan sets forth the policies and procedures which will be followed in carrying out the relocation phase of the project. The plan, as finally approved by the URA, constitutes the official criteria to which the LPA must adhere and is incorporated, by reference, in the executed loan and grant contract.

INADEQUATE RELOCATION ASSISTANCE TO FAMILIES DISPLACED FROM CERTAIN URBAN RENEWAL PROJECTS

In our review of the relocation of families displaced from selected urban renewal projects administered by the Fort Worth regional office, HHFA, we noted that a significant number of the families displaced in St. Louis, Missouri, and Kansas City, Kansas, were relocated into substandard housing and that a substantial number of the families displaced in these cities and in Columbia, Missouri, were not afforded relocation assistance. We believe that the regional office's supervision and review of relocation activities of LPAs were not adequate to fulfill the intent of title I of the Housing Act of 1949, as amended, which was that displaced families be afforded an opportunity to relocate into decent, safe, and sanitary housing.

The Commissioner, URA, has informed us of his views on our findings and proposed corrective actions. His comments have been considered in the preparation of this report. The three cities whose relocation activities are discussed in this report were provided an opportunity to comment on the factual data presented herein, and we have given consideration to the views that they expressed.

Specific comments on these matters follow.

DISPLACED FAMILIES RELOCATED INTO SUBSTANDARD HOUSING

A significant number of families who were displaced from slum clearance and urban renewal projects in St. Louis, Missouri, and Kansas City, Kansas, and who were taken into the LPAs' workloads, relocated into substandard housing. In many instances, the families who relocated into substandard housing were actually relocated into substandard housing by the LPAs, were offered only other substandard housing by the LPAs, or were not offered relocation assistance by the LPAs. Many of the families who were relocated into substandard housing were reported by the LPAs as having been relocated into standard housing. We believe that there were inadequate review and supervision of the LPAs' relocation activities by the Fort Worth HHFA regional office.

St. Louis, Missouri

The LPA reports of relocation progress of the Mill Creek Valley and Kosciusko projects in St. Louis, Missouri, as of June 30, 1961, contained the following information with regard to relocated families:

<u>Housing units relocated into</u>	<u>Families</u>	
	<u>Mill Creek Valley</u>	<u>Kosciusko</u>
Standard units.....	1,426	410
Substandard units.....	379	174
Housing condition not known	162	66
Removed from workload	<u>1,967</u>	<u>650</u>

The above information shows that 553 families from the two projects had relocated into substandard housing. At June 30, 1961, the Mill Creek Valley project relocation effort was virtually complete; the Kosciusko project effort was about 65 percent complete.

We inspected 35 dwelling units selected at random from units reported as standard by the LPA and into which families displaced from the Mill Creek Valley project were relocated. On the basis of the standards set forth in the LPA's relocation plan, we concluded that 21 of these dwelling units were substandard. The deficiencies we noted included such things as inoperative plumbing, no running water, no heating facilities, doors falling off hinges, infestation with vermin, and leaks in roofs and walls. The head of the LPA's relocation section revisited seven of the dwelling units with us and agreed that these units were substandard. He informed us that visits to other units were not necessary and that he accepted our conclusion that the other 14 units we had inspected were substandard.

We inspected 31 dwelling units selected at random from units into which families displaced from the Kosciusko project were relocated. Twenty-eight of these units had been reported as standard by the LPA, and the other three had been reported as standard by the HHFA Fort Worth regional office site representative. The site representative had reported also as standard 4 of 28 units reported as standard by the LPA. On the basis of the housing standards set forth in the LPA's relocation plan, we concluded that 30 of the dwelling units were substandard. The head of the LPA's relocation section revisited 11 of the dwelling units with us and agreed that these units were substandard. He informed us that visits to other units were not necessary and that he accepted our conclusion that 19 of the other 20 units we had inspected were substandard. The regional office site representative stated that his inspections consisted of visual observations from his automobile as he drove by the properties and that, in classifying the dwelling units as standard, he relied on the statements of the LPA personnel.

Some of the families who had been relocated into the substandard dwellings were so relocated by the LPA. Many of the other families either were

offered only substandard housing by the LPA or were offered no relocation assistance by the LPA. The LPA assisted families displaced from the Kosciusko project in finding relocation housing by offering them addresses (referral lists) prepared from newspaper advertisements. Accompanied by an LPA relocation official, we inspected 16 of the 33 dwelling units listed on a Kosciusko project referral list dated June 6, 1961. The relocation official acknowledged that each of the 16 dwelling units was substandard. The dwelling units had not been inspected prior to their inclusion on the referral lists, as required by the LPA's relocation plan.

Regarding the Kosciusko project, the LPA reported to the Fort Worth HHFA regional office that, of a total of 724 families taken into the LPA's relocation workload as of August 1961, 178 families had self-relocated into substandard housing. We reviewed the files of 40 families, selected at random, that had self-relocated into substandard housing and found no evidence that the LPA made any effort to relocate these families from the substandard housing they had chosen into standard housing, as required by the LPA's relocation plan.

In commenting on the matters discussed above, the Executive Director of the St. Louis LPA questioned the basis that we used in classifying as substandard the houses that we inspected. The standards that we used as guidelines in our inspections were those contained in the LPA's relocation plans for the Mill Creek Valley and Kosciusko projects. We did not conclude that housing was substandard solely because of minor items; our conclusions were based on a combination of deficiencies--some major and some minor. For example, the deficiencies we noted for one of the structures above included: leaks in roof and walls, doors falling off hinges, toilet shared with congregation of church, no kitchen facilities, no bathing facilities, inoperable windows, no water, no electricity, and no heating facilities. The LPA's own inspectors, accompanied by us, classified as substandard about 35 percent of the structures which we concluded were substandard and accepted our conclusions on the remaining 65 percent of the structures.

Kansas City, Kansas

At April 30, 1961, the Gateway project relocation effort was virtually complete; the Armourdale Industrial Park project relocation effort was about 90 percent complete. The LPA reports of relocation progress for the Gateway and Armourdale Industrial Park projects as of that date disclosed the following information with regard to relocated families.

Housing units relocated into	Families	
	Gateway	Armourdale
Standard units.....	323	83
Substandard units.....	10	-
Housing condition not known	<u>5</u>	<u>5</u>
Removed from workload.....	<u>338</u>	<u>88</u>

The above data shows that the LPA reported only 10 Gateway families and no Armourdale Industrial Park families had relocated into substandard housing. However, the LPA's records as of that date showed that 29 Gateway families and 6 Armourdale Industrial Park families were relocated into dwelling units classified as substandard by the LPA.

We inspected 18 dwelling units selected at random from units recorded as standard by the LPA and into which families displaced from the Gateway and Armourdale Industrial Park projects were relocated. On the basis of the standards set forth in the LPA's relocation plan, we concluded that three of these units were substandard. One of these units was located in a substandard apartment building into which eight families had been relocated. The LPA classified this building on its relocation records as standard for the first six of these families, two of which were relocated into the building by the LPA, and as substandard for the other two families, one of which was relocated into the building by the LPA. LPA officials revisited this building with us and agreed that it was substandard. The LPA subsequently revised its April 30, 1961, report of relocation progress for the Gateway project to show that 50 displaced families, rather than 10 as originally reported, were living in substandard housing.

Although the LPA's relocation plans for the Gateway and Armourdale Industrial Park projects require that inspections be made of dwellings into which displaced families are relocated, LPA officials informed us that in many instances the only inspections of relocation housing by the relocation staff consisted of visual external inspections, made while the inspectors drove past the properties.

In instances where the LPA relocation staff inspectors classified dwellings as substandard, they did not report to the city's Minimum Housing Code Office, for corrective action, violations of the city's housing code. An LPA official told us that housing code violations were not reported to the city's Minimum Housing Code Office because LPA officials believed that (1) such action would adversely affect the availability of housing resources and (2) the relocation staff was not qualified to determine whether the housing met the city's minimum housing code requirements.

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The Regional Director of Urban Renewal advised us that more emphasis would be placed on relocation activities. Subsequent to our field review, the Urban Renewal Manual was revised to require that an LPA notify the local housing code enforcement agency of instances where the LPA's inspections reveal that self-relocated families who declined standard relocation housing are living in dwelling units that do not meet local housing code requirements.

We believe that these actions will tend to improve the administration of relocation activities. However, in our opinion, the deficiencies disclosed by our review show that there were inadequate supervision and review of the LPAs' relocation activities by the Fort Worth HHFA regional office. Accordingly, we proposed that the Commissioner, URA, require that HHFA regional

officials provide closer supervision over the execution of project relocation plans by LPAs and that such officials make periodic inspections of relocation housing. We proposed also that the Commissioner not authorize future projects for St. Louis, Missouri, and Kansas City, Kansas, unless URA had received positive evidence from the LPAs that sufficient standard housing would be available for permanently relocating all displaced project families into decent, safe, and sanitary housing.

In a letter dated August 5, 1963, the Commissioner informed us that the agency had implemented the first of the above proposals by authorizing regional offices to employ additional site representatives who would specialize in the examination of all LPA relocation activities. He stated that these specialists would be required to inspect the interiors of relocation housing to ascertain whether such housing meets the standards of the approved relocation plan.

In regard to the second of the above proposals, the Commissioner informed us that the proposal had been made part of URA policy which was implemented by the issuance on May 17, 1963, of Regional Circular No. 627. This circular requires the HHFA regional offices, at the time an LPA submits an application for survey and planning for a title I project, to make a systematic evaluation of past and current performance of urban renewal activities in the locality, including the quality of the relocation operation. He informed us also that the St. Louis, Missouri, and Kansas City, Kansas, LPAs had instituted changes in their administrative policies and actions which were intended to provide that displaced families be relocated in standard housing. He stated that these actions on the part of the LPAs, combined with closer regional office supervision, should result in far more satisfactory relocation activities in both cities.

We believe that the proper implementation of the actions described by the Commissioner should result in significant improvement in the quality of relocation activities conducted by LPAs.

RELOCATION ASSISTANCE NOT PROVIDED SOON ENOUGH

We found that a substantial number of families displaced from urban renewal areas were not afforded relocation assistance by LPAs because certain URA relocation requirements were not applicable until after the execution of the loan and grant contract. We believe that the displaced families should have been informed of the relocation assistance that would become available to them.

Our review disclosed that more than 3,300 of the nearly 7,000 families that the LPAs estimated were living in the Mill Creek Valley and Kosciusko projects in St. Louis, Missouri; the Douglass School project in Columbia, Missouri; and the Gateway project in Kansas City, Kansas, were omitted from the LPAs' relocation workloads and that they were thus never afforded relocation assistance. Some of the families may not have accepted LPA

assistance, and some of the movement from the area may have been normal turnover. The whereabouts of most of the 3,300 families is unknown, and their absence was not shown on the LPAs' relocation progress reports. Probably a significant number of these families moved into substandard housing, as did a significant number of self-relocated families whose housing conditions were a matter of record.

The Urban Renewal Manual (chapter 16-1) provides that an LPA submit with its survey and planning application (1) estimates of the number of residents in the project area and the number of families that will be displaced and (2) narrative descriptions of the housing supply in the locality. An LPA is also required to submit, with its application for a loan and grant contract, more detailed estimates of relocation needs and resources. Although the manual (section 16-2-2) authorizes the LPA to make a complete survey to obtain information on relocation needs, it does not require that such a survey be made. The LPA is required to initiate relocation activities as soon as site occupants enter the relocation workload. The manual (section 16-3-1) provides that:

"A site occupant enters the relocation workload when any of the following occurs:

- (1) The property occupied is acquired by the LPA or other public body.
- (2) A landlord requests assistance in relocating a tenant to permit rehabilitation or code enforcement.
- (3) A code enforcement agency requests assistance in vacating a unit.
- (4) A site occupant requests assistance as a result of rehabilitation or code enforcement.

"As soon as practical after the effective date of the Contract for Loan and Grant, each site occupant shall be interviewed for the following purposes:

- (1) Obtaining information on relocation requirements from families and individual householders. ***
- (2) Determining the relocation assistance which the site occupant requires.
- (3) Delivering to the site occupant informational material developed by the LPA explaining the relocation services which are available ***."

We believe that the URA regulations are inadequate in that they do not require the LPAs to advise families residing in areas selected for urban renewal projects of the relocation assistance that will become available to them

until after the execution of a loan and grant contract. We believe also that URA should have required the LPAs to obtain more reliable information regarding relocation requirements and resources prior to the execution of a loan and grant contract. If reliable information on housing needs and resources is not obtained prior to the effective date of the contract for a loan and grant, significant relocation problems, such as a lack of available standard housing, may not be recognized in time to meet the needs of all the displaced families. Generally, by the time a contract has been executed, the residents of the area selected for the project have been aware for many months that they probably will be required to relocate. Consequently, many of these families, in anticipation of acquisition of the property by the LPA, move into other housing without having been advised of the relocation assistance that would ultimately become available to them. Of the self-relocated families whose housing conditions were a matter of record at the St. Louis, Missouri, and Kansas City, Kansas, LPAs, a significant number relocated into substandard housing. The relocation of a significant number of displaced families into substandard housing--the "shifting" of slums--negates much of the benefit of the project and is contrary to the clearly expressed intent of the Congress that the problems of slums and blight be attacked on a communitywide basis.

St. Louis, Missouri

The relocation plan for the Mill Creek Valley project, St. Louis, Missouri, was approved by URA on June 24, 1958. This relocation plan showed that an estimated 4,212 families were to be relocated. The LPA report of relocation progress dated June 30, 1961, showed that the total relocation workload for the project was only 2,072 families. The head of the LPA's relocation section stated that as of June 30, 1961, the relocations from the Mill Creek Valley project area were virtually completed. Therefore, the remaining 2,140 families, or more than 50 percent of the families from the project area, were not taken into the relocation workload or provided relocation assistance.

The relocation plan for the Kosciusko project, St. Louis, Missouri, approved by URA on May 12, 1959, showed that an estimated 1,872 families were to be relocated. The head of the LPA's relocation section informed us that only about 1,000 families were to be taken into the relocation workload. Therefore, the remaining 872 families from the project area were not to be taken into the relocation workload or provided relocation assistance.

An LPA official informed us that many families were not taken into the relocation workload because, in anticipation of the property acquisitions to be made by the LPA, they moved from the Mill Creek Valley and Kosciusko project areas prior to the actual acquisition of the properties in which they were residing.

Columbia, Missouri

The relocation plan for the Douglass School project in Columbia, Missouri, was approved by URA on December 1, 1958. This plan indicated that an estimated 410 families would be displaced from the project area. However, the LPA's relocation records failed to account for 183, or over 40 percent, of these families.

LPA officials advised us that the original estimate of 410 families actually included individual householders, as well as families. However, our review of the LPA's records supporting the original estimate disclosed that, consistent with URA's definition (Urban Renewal Manual, section 16-3-2) of the term "family"--two or more persons who are living together in a single dwelling unit--410 families were to be displaced from the project area.

At June 30, 1961, the LPA reported the relocation progress of the project to the Fort Worth HHFA regional office. This report showed that 165 families had been taken into the relocation workload, leaving a balance of 245 families still remaining in property to be acquired by the LPA. However, on July 1, 1961, we noted that these properties contained only 62 families. Therefore, it appeared that relocation assistance would be provided to not more than 227 families, or about 56 percent of the 410 families reported in the relocation plan.

Kansas City, Kansas

The relocation plan for the Gateway project, Kansas City, Kansas, approved by URA on February 26, 1958, showed that an estimated 657 families were to be relocated. In January 1961, the Fort Worth HHFA Regional Director of Urban Renewal requested his site representative to explain why the LPA's relocation records did not account for 293, or over 40 percent, of these families. The site representative replied that the 293 families had moved and that no one seemed to know where or when they went.

Our review disclosed that, since 166 individuals were included in the original estimate of 657 families, the number of families to be relocated should have been reported as 491. The LPA's report on relocation progress at May 31, 1961, showed that the total relocation workload included only 349 families, or less than 72 percent of the 491 families, with relocation virtually completed. Therefore, on the basis of the LPA's revised estimates, about 142 families displaced from the project were not taken into the relocation workload.

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In commenting on this matter, the Executive Director of the Kansas City, Kansas, LPA informed the Fort Worth HHFA regional office in a letter dated May 7, 1963, that the LPA had no responsibility under the prior URA regulations to relocate those families not taken into the relocation workload. He stated, however, that although there were no records to show that, any

contact had been made with these families, the LPA did encourage them, through newspapers, personal contacts, and letters, to remain in their housing until the LPA purchased the property in which they lived.

In enacting section 105(c) of title I of the Housing Act of 1949, as amended, the Congress intended that decent, safe, and sanitary housing be made available for all families displaced by slum clearance and urban renewal activities. We believe that the achievement of this objective would be advanced by URA's requiring that, during the period when survey and planning applications are being developed, rather than after the effective date of the loan and grant contract (see p. 9), the LPAs inform the residents of proposed urban renewal areas of the relocation assistance that will become available to them should the properties be acquired. We believe also that URA should require that the LPAs obtain reliable information regarding relocation requirements and resources during the survey and planning stage of the project.

We proposed that the Commissioner, URA, require that (1) at the time LPAs develop information to support their survey and planning applications, they inform the residents of proposed urban renewal areas of the relocation assistance that will become available to the residents should the properties in which they live be acquired and (2) during the planning stage of the projects, the LPAs obtain reliable information regarding relocation requirements and resources.

In a letter dated August 5, 1963, the Commissioner agreed to adopt our first proposal. Regarding the second proposal, he stated that:

"Since the projects referred to in this report have gone into execution, there have been extensive revisions in Manual requirements with respect to the kind of showing an LPA is required to make as to relocation needs and resources. Detailed data on incomes, including breakdowns of families with incomes of less than \$200 a month, family size, number of bedrooms required, housing availability by unit size and by rent and sales price brackets, makes it necessary for an LPA to examine both its requirements and housing resources much more carefully than was the case previously. If such an examination indicates the need for construction of additional housing, public or private, the Manual requires that the LPA spell out in detail concrete plans for the provision of these additional resources and proposals for dealing with problem cases among displaced families, including the elderly, the handicapped, etc. If public housing is necessary to establish the relocation feasibility, an Annual Contributions Contract must have been executed before a Loan and Grant Contract will be approved for the urban renewal project.

"Review procedures also instituted in the last several years at both the Regional and Central Office levels are such as to minimize errors in estimating requirements and resources. Errors and inconsistencies in the documentation are returned to the LPA's for clarification and explanation. Where long lapses are

involved between relocation planning and project execution, the LPA's are required to bring their estimates up to date. This, of course, does not mean that we consider no further improvement possible in our present policies and procedures. The policies and procedures are under constant review and modifications will be introduced when the need for modification is indicated by experience."

We believe that the proper implementation of these procedures should result in a significant improvement in the quality of relocation activities administered by HHFA.

SCOPE OF REVIEW

Our review of selected slum clearance and urban renewal program relocation activities was made at the HHFA Fort Worth regional office and at five local public agencies under its jurisdiction whose offices are located at St. Louis, Missouri; Kansas City, Missouri; Kansas City, Kansas; Topeka, Kansas; and Columbia, Missouri. Our examination included a review of:

1. The basic laws authorizing the program and the pertinent legislative history.
2. URA's policies and procedures and its administrative regulations applicable to the relocation activities of local public agencies in the federally subsidized slum clearance and urban renewal program.
3. Selected transactions and related project correspondence, documents, and other data pertaining to selected slum clearance and urban renewal projects.

Some verification to supplement our review at the HHFA office was performed at the above local public agencies.

APPENDIX

HOUSING AND HOME FINANCE AGENCY

PRINCIPAL OFFICIALS

RESPONSIBLE FOR THE ACTIVITIES EXAMINED IN OUR REVIEW

	Tenure of office	
	<u>From</u>	<u>To</u>
ADMINISTRATOR, HHFA:		
Albert M. Cole	Mar. 1953	Jan. 1959
Norman P. Mason	Jan. 1959	Jan. 1961
Lewis E. Williams (acting)	Jan. 1961	Feb. 1961
Robert C. Weaver	Feb. 1961	Present
COMMISSIONER, URA:		
Richard L. Steiner	Apr. 1957	July 1959
David M. Walker	July 1959	Jan. 1961
Charles L. Oswald (acting)	Jan. 1961	Mar. 1961
William L. Slayton	Mar. 1961	Present
REGIONAL ADMINISTRATOR, FORT WORTH HHFA REGIONAL OFFICE:		
Waldemar H. Sindt	Dec. 1955	Feb. 1960
John A. Foster	Feb. 1960	Mar. 1961
Roderick A. Bethune (acting)	Mar. 1961	Sept. 1961
Roderick A. Bethune	Sept. 1961	Dec. 1962
Robert C. Robinson (acting)	Jan. 1963	Mar. 1963
William W. Collins, Jr.	Mar. 1963	Present
REGIONAL DIRECTOR OF URBAN RENEWAL, FORT WORTH HHFA REGIONAL OFFICE:		
Robert C. Robinson	Jan. 1955	Oct. 1961
Leonard E. Church	Nov. 1961	Present



Federal Housing Administration
Public Housing Administration
Federal National Mortgage Association
Community Facilities Administration
Urban Renewal Administration

HOUSING AND HOME FINANCE AGENCY
OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D.C.

EXECUTIVE

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FGN45

June 3, 1964

MEMORANDUM FOR: George Reedy
Press Secretary to
the President
The White House

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This/a follow-up on our conversation of yesterday. You will note that HHFA has already approved a grant of \$4,886,000 as a part of a Mass Transportation Demonstration Project costing \$7,329,000. Recently we have received and tentatively approved an amendment involving an additional Federal grant of \$1,333,333. This would make the total project cost of the demonstration project \$9,329,000.

You should also know that this project in which we are involved is part of a \$28,000,000 development testing program being carried out by the San Francisco Bay Area Rapid Transit District.

I would propose that an announcement of the approval of this additional grant be made at the time that the President is visiting California in connection with the groundbreaking of a test track of the system.

If you need any further information on this, I would suggest that you have your office call John C. Kohl, my Assistant Administrator (Transportation), on code 128, extension 5511. Unless I hear from you to the contrary, we shall expect an announcement of this grant to emanate from the White House.

Robert C. Weaver
Administrator

Enclosure

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Mass Transportation Demonstration Project

Approved: June 18, 1963. Original Estimated Cost: \$7,329,000;

Federal share: \$4,886,000; Local share: \$2,443,000.

The amendment to be announced adds \$2,000,000, of which the Federal share is \$1,333,333.

The Bay Area system offers a unique opportunity to test new concepts in rapid transit design. SFBARDT is carrying out such a program, estimated to cost \$28 million. The demonstration project provides Federal assistance in specific experiments applicable to the design of new systems or improvement of existing facilities, such as sound and vibration reduction, vehicle stability, propulsion and power supply, vehicle trucks, and train control.

Field tests will be made on a 4.4 mile test track, which will eventually become a part of the system. HHFA participation is limited to the special features required for the test program.

Pre-test technical studies and manufacture of various components to be tested are under way. Test track operations are scheduled to start in March 1965.

Amendment to be Announced

The purpose of the amendment is to permit extensive field tests of the relative merits of alternating current and direct current for vehicle propulsion. The additional cost is \$2 million, of which \$1,333,333 will be provided by HHFA.

For many years, the rail transit industry has debated the question of AC versus DC power. AC is more economically transmitted, but poses major unresolved problems in the control of propulsion motors.

SFBARDT has carried out tests and experiments, as a part of the demonstration project, which indicate that recent technological advances may permit the substitution of AC for DC in the Bay Area System. However, the decision to do this depends upon the results of extensive operational tests.

SFBARDT will install a conventional DC system on the test track. HHFA will share the costs of a parallel AC system upon which field tests will be made.

This is the first time it has been possible to design and test an AC system. If the tests show the use of AC to be feasible, substantial reductions can be realized in the capital and operating costs of new systems and in the operating costs of systems where conversion from DC to AC can be effected.