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REPORT TO THE CONGRESS

Problems In The Program For Rehabilitating Housing To Provide Homes For Low-Income Families In Philadelphia, Pa. B-118718

Department of Housing and
Urban Development AGCDD623

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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095687

MARCH 19, 1971



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

B-118718

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

This is our report on problems in the Department of Housing and Urban Development program for rehabilitating housing to provide homes for low-income families in Philadelphia, Pennsylvania. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Housing Act of 1954 (42 U.S.C. 1435).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Housing and Urban Development.

A handwritten signature in black ink, reading "James B. Stacks".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

To help provide decent housing for low-income families, the Department of Housing and Urban Development (HUD) furnishes financial aid to local housing authorities for acquiring and rehabilitating individual houses for rent or resale.

As of December 1968, about 60 percent of the dwelling units being acquired and rehabilitated under the HUD program consisted of houses; the remaining units were in hotels or apartment buildings. About 75 percent of the houses being acquired throughout the country were in Philadelphia, Pennsylvania.

Philadelphia Housing Authority project PA 2-4 was selected for review because it represented a significant portion of the HUD program and was advanced sufficiently to permit an evaluation of HUD's effectiveness in achieving the objectives of its program.

FINDINGS AND CONCLUSIONS

The Philadelphia project provided for rehabilitation of 3,300 dwelling units at an estimated cost of \$44 million. Although benefits resulted, some goals of the project had not been fully achieved and HUD had not effectively enforced compliance with the prescribed requirements for the project.

Plans called for 79 percent of the rehabilitated houses to be for single families and 21 percent to be for two or three families. Only 35 percent of the houses were rehabilitated as single-family houses. The remaining 65 percent were rehabilitated as multifamily houses, many of which were concentrated within a few blocks.

This concentration resulted in dwelling-unit densities considerably higher than those recommended in Philadelphia's comprehensive redevelopment plan.

The goal of promoting private ownership through the resale of rehabilitated houses was impaired seriously because the conversion of large

Tear Sheet

buildings to multifamily use greatly reduced the possibility of low-income families' owning their own homes. (See pp. 13 and 14.)

Many of the rehabilitated dwellings--single and multifamily--are located near industrial and commercial sites, normally not desirable as living areas. (See pp. 14 to 17.)

The authority generally did not renew enough dwellings in blocks that contained many vacant and dilapidated structures to encourage restoration by adjacent private property owners. (See pp. 18 to 22.)

HUD knew of many of the conditions cited above, repeatedly notified the authority that it had failed to comply with the approved development plan, and urged the authority to remedy the situation. There was no indication that the authority had made any effort to correct the matters brought to its attention. (See pp. 23 and 24.)

Many of the rehabilitated dwelling units contained important deviations from HUD's minimum standards of livability and construction or from contract specifications. For example:

--Required insulation of roofs and exterior frame walls had not been made in 11 of 17 units inspected. (See p. 28.)

--Sizes of rooms were in many cases smaller than standards allowed. (See pp. 29 and 30.)

--Of 50 units inspected, 36 did not have the closets required by HUD's minimum standards. (See p. 30.)

--Of the 50 units, 26 had a cheaper grade of copper pipe than required by the contract specifications and 40 had 1/2-inch, instead of 3/4-inch, pipe. (See pp. 30 and 31.)

An unusual deviation was uncovered by the district attorney of Philadelphia. He found a number of instances in which contractors, paid to replace the exterior walls of structures, had merely coated the existing walls with stucco. The authority then employed a private firm to investigate. On the basis of reports submitted by the firm, the General Accounting Office (GAO) estimated that about \$87,000 had been paid to the contractors for exterior wall work not done. (See pp. 31 and 32.) The authority informed GAO that funds had been withheld from the contractors who had failed to replace unsound walls.

In GAO's opinion, the deviations from minimum standards of livability and construction and from contract specifications resulted mainly from weaknesses in planning and control requirements; namely, deficiencies in the construction specifications and architectural drawings and weaknesses in the inspection process. (See pp. 34 to 37.)

GAO found a need to improve specifications for materials used in the rehabilitation work. Differences were noted between certain material requirements for the Philadelphia project and material requirements under other HUD programs, private construction, and materials recommended by HUD for use in the project. (See pp. 40 and 41.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Housing and Urban Development should

- assign the number of construction inspectors sufficient for ensuring that acquisition and rehabilitation programs are being carried out in accordance with approved plans and procedures (see p. 39);
- require that corrective action be taken by local authorities when deficiencies are noted (see p. 39); and
- require that only materials recommended by HUD be used in rehabilitation projects, unless the use of substitute material can be justified (see p. 42).

AGENCY ACTIONS AND UNRESOLVED ISSUES

HUD agreed with most of GAO's findings concerning construction deficiencies and informed GAO of corrective actions taken or to be taken. (See p. 38.)

HUD disagreed with GAO's contention that additional construction inspectors should have been assigned to the Philadelphia project. That would have been contrary, HUD said, to its policy of placing responsibility for the execution of the program on the local agency, would have invited duplication of effort, and would have been beyond the staff capability of HUD.

GAO agrees that responsibility for execution of the program rests with the local agency. HUD, however, has the responsibility for seeing that Federal funds are expended in the most efficient and economical manner. Since inspections by HUD construction representatives serve as a control over the operations of local authorities, GAO believes that those inspections must be adequate to enable HUD to meet its responsibilities. (See p. 39),

HUD did not comment on GAO's recommendation regarding the use of materials advocated by HUD for rehabilitation projects. GAO believes that the use of HUD-advocated materials is necessary to make sure that maximum benefits are obtained for the Federal funds expended. (See p. 42.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is providing this report to the Congress in view of the improvements needed to achieve program goals and to correct deficiencies in HUD's rehabilitation program to provide housing for low-income families.

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ABBREVIATIONS

GAO	General Accounting Office
HUD	Department of Housing and Urban Development
LHA	local housing authority
PHA	Philadelphia Housing Authority

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CHAPTER 1

INTRODUCTION

The General Accounting Office has reviewed certain aspects of the acquisition and rehabilitation program for providing low-rent public housing, administered by the Department of Housing and Urban Development.

HUD statistical information available at the time of our review showed that, as of December 31, 1968, about 60 percent of the dwelling units being rehabilitated and acquired under HUD's acquisition and rehabilitation program consisted of used houses at scattered sites; the remaining dwelling units were in hotels or apartment buildings. Of the dwelling units being acquired at scattered sites throughout the country, about 75 percent were in the city of Philadelphia. We selected Philadelphia Housing Authority (PHA) project PA 2-4 for comprehensive review because it represented a significant portion of the program effort in the city and was sufficiently advanced to permit an evaluation of its effectiveness in achieving program objectives.

Authority for undertaking an acquisition and rehabilitation program is contained in the Housing Act of 1937, as amended (42 U.S.C. 1401), which provides for Federal financial assistance to eliminate unsafe and unsanitary housing conditions; eradicate slums; and provide decent, safe, and sanitary dwellings in a wholesome living environment for families of low income.

The objective of the acquisition and rehabilitation program is to provide low-rent housing at sites located throughout the program area (scattered sites), to achieve social and economic neighborhood mix, to provide anonymity for occupants who are public-housing tenants, and to provide housing units available for sale to tenants, pursuant to section 15(9) of the Housing Act of 1937. (42 U.S.C. 1415(9)).

HUD conducts its low-rent-housing assistance activities at its headquarters in Washington, D.C., and at 10 regional offices in Atlanta, Boston, Chicago, Denver,

Fort Worth, Kansas City, New York, Philadelphia, San Francisco, and Seattle. The development and administration of federally assisted low-rent housing is primarily the responsibility of local housing authorities (LHAs), which are independent legal entities established pursuant to State legislation to develop, own, and operate low-rent public housing.

Federal financial assistance under the acquisition and rehabilitation program is provided to LHAs by HUD in the form of preliminary loans for surveys and planning and in the form of subsidies under annual contribution contracts with LHAs. The HUD contributions, at their maximum allowable amounts, are intended to be sufficient to pay the principal and interest on bonds and notes sold by LHAs to obtain funds for acquiring and rehabilitating housing. HUD's maximum allowable contributions are reduced by the amount of residual receipts from project operations.

REHABILITATION METHODS

Under HUD's acquisition and rehabilitation program, LHAs acquire houses either before or after they have been rehabilitated.

For houses acquired by LHAs before they are rehabilitated, the required rehabilitation work can be done by LHA employees or under competitive-bid contracts awarded by LHAs on the basis of drawings and construction specifications. For houses to be acquired after they have been rehabilitated (turnkey rehabilitation), LHAs contract with private developers to purchase, at specified prices, one or more dwellings that have been rehabilitated to agreed specifications and standards.

PHILADELPHIA'S ACQUISITION AND REHABILITATION PROGRAM

In 1957 a joint committee formed by the Philadelphia Housing Association and the Citizens' Council on City Planning proposed that the housing needs of low-income families be met by using existing dwelling structures in conjunction with new construction. The proposal was evaluated by

Federal and local officials, and in 1958 HUD authorized PHA to rehabilitate 200 dwelling units.

Three pilot programs, PA 2-58, PA 2-59, and PA 2-60, providing for the rehabilitation of 200 dwelling units started with the purchase of 40 houses. The houses were acquired at an average price of \$5,960 and rehabilitated at a reported average development cost of \$10,142. Some of the higher priced houses in this group were in good condition and required little more than painting and minor repairs. Other houses needed more extensive improvements, such as new heating systems, doors, windows, porches, and roofs.

The rehabilitation work under these pilot programs was done by individual contractors, groups of contractors, or PHA. Individual specifications had to be prepared for each house, and the need for detailed inspections and appraisals made execution of the program slow and cumbersome. Because of funding limitations, only 180 of the 200 dwelling units originally authorized were rehabilitated and acquired.

During the period 1963-69, HUD authorized PHA to rehabilitate 6,400 additional dwelling units under four acquisition and rehabilitation programs. Project PA 2-67, started in 1963, provided for the rehabilitation of 500 dwelling units. Initially, 94 units were rehabilitated by the PHA labor force supplemented by craftsmen from local trade unions. As in the earlier pilot programs, execution of the program was found to be slow and cumbersome. An additional 294 units were completed under the turnkey rehabilitation method.

Project PA 2-69, started in 1965, provided for the rehabilitation of 1,000 dwelling units. By use of the turnkey rehabilitation method, about 950 units were rehabilitated at an average cost of \$12,868.

Project PA 2-4, started in September 1967, provided for the rehabilitation of 3,300 scattered dwelling units at a total estimated cost of about \$44 million. Project PA 2-12, started in January 1969 while our review was in process, provided for the rehabilitation of 1,602 dwelling units at a total estimated cost of about \$23 million. October 1969

plans provided for the rehabilitation of an additional 5,000 units at an estimated cost of about \$70 million.

With HUD's approval, PHA established standard prices for contractors for the rehabilitation of houses under the PA 2-4 project. According to a HUD study, the standard-pricing procedure was used to expedite volume production and eliminate the need for individual cost estimates.

PHA's standard prices for the PA 2-4 project were established through negotiations with a contractors' committee and HUD and were approved by HUD on January 28, 1968. The prices cover 12 types of single-family structures and 28 types of multifamily structures. Examples of the prices are shown below.

<u>Number of family units per structure</u>	<u>Number of bedrooms per family unit</u>	<u>Standard rehabilitation price</u>
1	3	\$10,050
1	5	13,300
2	2 and 6	23,100
2	3	20,500
3	3	30,800
3	4	34,100

Most of the contractors were paid \$1,600, the maximum amount allowable, for the acquisition of a structure in addition to the standard price for the rehabilitation work. They were also reimbursed for real estate settlement costs.

As of February 19, 1969, PHA had approved 87 private contractors for participation in the used-house program. These contractors locate suitable houses in designated areas of the city and enter into agreements for PHA's purchase of the houses upon completion of the rehabilitation work. The program provides for stripping a house to a shell, which entails removing interior components and leaving only the exterior, because houses acquired by contractors have extensive structural deterioration. In rehabilitating such a house, it is necessary to install new floors, roof covering, partitions, windows, stairs, doors, electrical and heating systems, plumbing fixtures, and kitchen equipment.

Principal officials of HUD responsible for the administration of activities discussed in this report are listed in appendix III.

CHAPTER 2

CERTAIN DESIRABLE HOUSING GOALS

NOT BEING FULLY ACHIEVED

PHA's used-house acquisition and rehabilitation program in the city of Philadelphia for providing low-rent housing is the largest scattered-site housing rehabilitation program in the Nation. The program in Philadelphia has resulted in benefits, such as

- providing a substantial number of units in the central parts of the city in shorter time than would have been possible by other methods,
- allowing LHA to obtain, for an equivalent capital outlay, more dwelling units than would have been possible had it confined its program entirely to new construction, and
- utilizing the inventory of derelict houses in the city by converting them to usable houses.

Our review of PHA acquisition and rehabilitation project PA 2-4, which provided for the rehabilitation of 3,300 scattered dwelling units at an estimated cost of about \$44 million, showed, however, that some of the desirable goals of its housing development program, approved by HUD, were not being fully achieved.

Before an LHA can undertake an acquisition and rehabilitation project, its development program, outlining the goals for the project and the means for accomplishing them, must be approved by HUD. HUD's approval of the development program constitutes approval of the LHA's goals.

We believe that certain decisions by the Philadelphia city council and PHA affected attainment of the goals under PHA project PA 2-4. These goals are discussed in the following section.

DECISIONS AFFECTING ATTAINMENT OF GOALS
UNDER THE USED-HOUSE PROJECT

PHA's approved development program designated certain geographical areas, containing many various-sized vacant and dilapidated houses, where the acquisition and rehabilitation project was to be accomplished. The development program estimated that 79 percent of the houses to be rehabilitated in those areas would be for single-families and 21 percent would be for two or three families. However, only 35 percent of the houses were rehabilitated as single-family houses. The remaining 65 percent were rehabilitated as multifamily houses.

The development program for project PA 2-4 was based mainly on the experience gained from earlier projects which generally were carried out in areas where two-story houses predominated. The city council determined that project PA 2-4 was to be carried out in the midtown areas of the city where larger, three- and four-story structures predominated.

An example of the structures originally built as single-family units and rehabilitated as multifamily dwelling units is shown in the following photograph.



1900 block North Franklin Street. (This block contains 36 dwelling units purchased by PHA at a cost of \$430,000.)

The blocks subject to rehabilitation were selected by a coordinating committee composed of representatives of city agencies. It was estimated that 6,000 to 9,000 eligible families were in dire need of housing. A HUD study showed that Philadelphia had about 28,000 uninhabitable houses, most of which were 60 or more years old. PHA emphasized the rehabilitation of the larger structures to provide housing for more families as quickly as possible.

We believe that the two decisions--to restrict rehabilitations to midtown areas which consisted predominantly of three- and four-story structures and to emphasize the rehabilitation of structures which would furnish housing as quickly as possible--resulted in short-term benefits; however, some of the desirable objectives of the development program were not achieved. The objectives sacrificed, in whole or in part, are discussed in the following subsections.

OCCUPANCY OF LARGE DWELLING UNITS RESULTED
IN HIGH DWELLING-UNIT DENSITIES

Many of the multifamily structures were concentrated within certain blocks and resulted in dwelling-unit densities of 64 to 84 units an acre. This density is considerably higher than the recommended density range of 20 to 59 dwelling units an acre specified in Philadelphia's comprehensive redevelopment plan for the area where the acquisition and rehabilitation project was being carried out.

The development program for project PA 2-4 estimated that 79 percent of the rehabilitated dwelling units required should consist of single-family houses but did not specifically limit the dwelling-unit density. Had PHA concentrated on acquiring and rehabilitating single-family houses, however, a lower dwelling-unit density could have been achieved.

The city council subsequently removed the geographic restrictions on the used-house rehabilitation program and now permits a citywide selection of structures for rehabilitation.

In commenting on our draft report, PHA informed us that, of the 3,221 rehabilitated dwelling units acquired under project PA 2-4, 2,097, or 65 percent were, in multifamily structures. PHA also stated that it no longer rehabilitated two- or three-family structures.

EMPHASIS ON REHABILITATION OF
LARGE DWELLING UNITS IMPEDED
SALES TO LOW-INCOME FAMILIES

In the interest of promoting neighborhoods of mixed occupancy, the approved development program provided that private individuals have the opportunity to purchase rehabilitated dwelling units as an alternative to renting them from PHA. This was consistent with the objective of promoting home ownership as advocated in the Housing and Urban Development Act of 1968. However, none of the rehabilitated dwelling units acquired under project PA 2-4 have been sold to private purchasers.

We believe that converting large structures for multi-family use, as was done under this project, greatly reduces the possibility of low-income families' purchasing the structures.

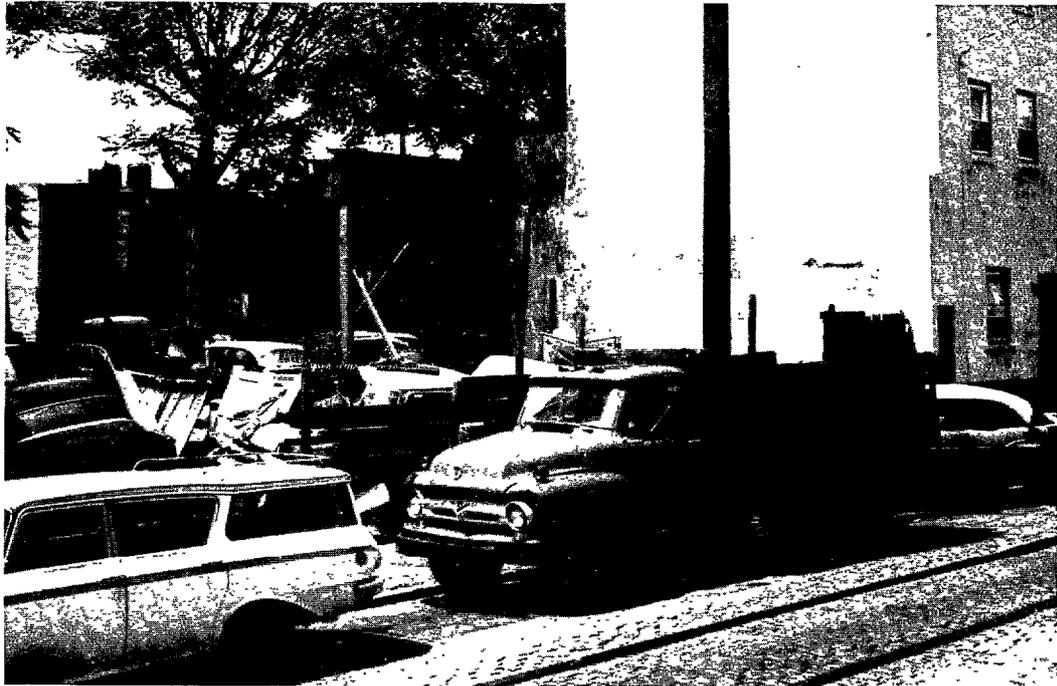
HUD, in commenting on our draft report, stated that there was no plan for private ownership at the time the development program was prepared and that such ownership did not become an earnest concept until December 1968. We acknowledge that ownership was not emphasized in the early periods of the acquisition and rehabilitation program. We nevertheless believe that, had PHA acquired rehabilitated structures mainly for single-family occupancy, the possibility of home ownership would have increased.

DWELLING UNITS REHABILITATED IN
LOCATIONS UNDESIRABLE FOR FAMILY LIVING

Many of the rehabilitated structures acquired under project PA 2-4 were located adjacent to or near undesirable locations, such as industrial and commercial sites.

The approved development program for project PA 2-4 contained limitations intended to preclude the rehabilitation of houses located in close proximity to nuisances, such as junkyards, or sites being used for purposes considered offensive or hazardous to family living. Further, houses to be rehabilitated were to be those located in areas predominantly residential and expected to remain so.

The following photograph shows a rehabilitated two-family structure, acquired at a cost of \$24,500, adjacent to a lot used as an automobile junkyard.



North 8th Street

The following photograph shows a commercial area substantially lacking in residential characteristics. The area contains only six residential structures. PHA purchased three of the structures, containing a total of five dwelling units, at a cost of \$64,000.



North 7th Street

As previously noted, areas scheduled for rehabilitation should be expected to remain residential. However, 65 dwelling units selected for rehabilitation were located in areas which the city's planning commission had proposed for industrial, commercial, or institutional use. If the proposals of the commission are put into effect, the PHA-acquired rehabilitated dwelling units in those areas will be in an environment not considered, in the approved development program, to be desirable for family living.

Under another Federal program, the Philadelphia Redevelopment Authority has under consideration the renewal of areas containing structures recently rehabilitated under the PHA's acquisition and rehabilitation program. The Philadelphia Redevelopment Authority originally had planned to demolish 50 of the rehabilitated dwelling units. As a result of HUD's urging, the Philadelphia Redevelopment Authority has modified its plans and will demolish only 14 of the dwelling units. The 14 rehabilitated units scheduled for demolition were recently purchased by PHA for \$162,000.

PHA officials, in commenting on this matter, noted that the small number of rehabilitated structures scheduled for demolition was indicative of careful planning and coordination on the part of city agencies.

HUD, in commenting on our draft report, informed us that only a few dwelling units acquired were adjacent to commercial sites with somewhat objectionable features. Our review, however, though limited to only a portion of the program, showed that 79 dwelling units were located on sites which, in our opinion, were not suitable for family housing.

REHABILITATED HOUSING DID NOT ENCOURAGE
OTHERS TO IMPROVE ADJACENT PROPERTY

An important objective of the acquisition and rehabilitation program is the conservation or improvement of residential neighborhoods. Although PHA acquired and rehabilitated structures in areas that contained many vacant and dilapidated structures, it did not renew enough structures to cause a wave of building restoration by private owners of adjacent property. PHA's policy was to limit the acquisition and rehabilitation to 20 percent of the houses situated in any given block. This policy was based on a desire to give anonymity to public-housing tenants and on the belief that rehabilitations started by PHA would be continued and expanded by private owners of property in the area and by other housing programs. We believe that the following drawbacks are inherent in this policy.

1. There is little assurance that other housing programs or private owners will complete the rehabilitation work begun by PHA. The investment in a given block, therefore, eventually may be lost since the dilapidated portions of the neighborhood are likely to govern the appearance, safety, and structural condition of the neighborhood.
2. There is little assurance that other housing programs will consider rehabilitation to be the best method of improving a block. Subsequent redevelopment decisions might result in demolishing rehabilitated dwellings with a consequent loss of housing resources.

Rehabilitation of only a small number of scattered structures in dilapidated neighborhoods results, in our opinion, in minimal benefits with respect to upgrading the appearance of the neighborhood and does not provide incentive for private owners to rehabilitate their properties.

The following four photographs each illustrate the limited effect of a single rehabilitation in a predominantly dilapidated area.



West side of 1600 block North 7th Street

The west side of the 1600 block of North 7th Street contains one house acquired by PHA for \$15,300, six vacant houses in dilapidated condition, one commercial garage, and vacant lots.



West side of 1200 block North Pennock Street. (View of entire block looking south.)



West side of 1200 block North Pennock Street. (View of PHA-owned structure and adjacent structures looking south.)



West side of 1200 block of North Pennock Street. (View of PHA-owned structure and adjacent structures looking north.)

North Pennock Street is narrow and contains only nine structures, one of which is a rehabilitated structure purchased by PHA for \$11,100. In addition to the rehabilitated house, the block contains six dilapidated houses--five are vacant--a dilapidated garage, and a three-story structure used by a paste-manufacturing company. The vacant houses at the north end of the block have been placarded with city notices designating them public nuisances.

As can be seen from the photographs of the North Pennock Street block, the dilapidated structures dominate the appearance of the block. We question whether placing a tenant in the rehabilitated dwelling unit fulfills the program objective of providing safe and decent housing.

In commenting on our draft report, HUD stated that GAO had explained the 20-percent limitation as being an outcome of PHA's desire to give anonymity to public-housing tenants. However, as we explained on page 18, this policy was

based also on PHA's belief that the area rehabilitation it started would be continued by private owners and by other housing programs. HUD stated also that, unfortunately, the planned-for rehabilitation by others had not attained the volume expected and that most blocks had been left with only the houses rehabilitated by PHA. HUD stated further that PHA had obtained additional single-family houses to expand the rehabilitation in these blocks.

In commenting on our draft report, PHA stated that, in some areas of Philadelphia, a 20-percent, or less, rehabilitation of a block would encourage private rehabilitation and that, in other areas, a more significant investment was needed to stimulate private investment. PHA noted that there was no guarantee that private owners would complete renewal of the areas.

HUD EFFORTS TO OBTAIN COMPLIANCE WITH
THE APPROVED DEVELOPMENT PROGRAM

We noted that HUD repeatedly had brought to the attention of PHA the fact that the structures being rehabilitated under project PA 2-4 did not conform to requirements of the approved development program.

HUD's annual contribution contract provides that projects be developed in accordance with their applicable development programs and with plans and documents modifying the programs. In addition, HUD's Low-Rent Housing Preconstruction Handbook provides that, if a major change occurs in the development concept, the development program be revised and resubmitted to HUD for approval. The handbook describes a significant modification to a building or a change in structure type as a major change.

In our opinion, approval by HUD of the development program is an essential control over the expenditure of Federal funds. We believe that completion of the program as approved would help to ensure that program objectives are achieved.

Many of the program weaknesses cited in the preceding section of this report were known to HUD from its reviews of the program and from its other contacts with PHA. We found, for example, that HUD's first periodic review of the PA 2-4 project had indicated that about 40 percent of the units to be rehabilitated under contracts awarded before February 29, 1968, were, or would be, in multifamily structures. Its report recognized that difficulties might be encountered in trying to adhere to the approved rehabilitation program because of the predominance of multifamily structures in the areas to be rehabilitated. The report advised PHA to make a strong effort to bring housing units in line with the approved program.

HUD brought the fact that the project did not conform to the approved program to PHA's attention in a letter dated July 25, 1968, in which HUD stated that its analysis of 2,038 units under contract as of April 30, 1968, showed that about 50 percent of the units were, or would be, in multifamily structures and that about 10 percent of the

2,038 units would be single-family three-bedroom structures. HUD recommended that PHA place emphasis on acquiring single-family units, especially the two-story three-bedroom type of structure.

HUD again advised PHA on September 25, 1968, that, of the units under contract through April 30, 1968, about 1,020 were multifamily units, whereas only 700 were authorized. HUD stated that PHA's failure to adhere to the approved number of multifamily units could produce harmful effects, including increased population density; nonachievement of program goals for obtaining dispersed single-family units; and creation of undesirable social conditions by producing structures with common halls conducive to loitering, molestation, and property damage.

HUD requested PHA not to contract for any additional multifamily units under project PA 2-4, except where commitments in force could not be revoked, and not to plan any multifamily units under a new 1,000-unit used-house program being planned.

On September 30, 1968, HUD advised PHA that, since no reply had been received to its letter of July 25, 1968, HUD was becoming increasingly concerned about the lack of significant progress and of compliance with the approved development program. HUD also repeated its recommendation that more emphasis be placed on acquiring single-family dwelling units rather than multifamily units.

Although HUD repeatedly notified PHA that it was not adhering to the approved development program and urged PHA to remedy the situation, we could find no indication that PHA had initiated corrective action on the matters brought to its attention. It appeared that HUD did not employ effective means, such as suspending Federal support for the program as provided for by the approved development program, to induce PHA to initiate corrective action.

HUD COMMENTS

In commenting on this portion of our draft report, HUD stated that:

"The deficiencies cited by the GAO are not as prevalent or significant as would appear from the report, nor do they have a detrimental effect on the program. The used-house rehabilitation program was new. Every step could not be foreseen. It is only through experience that the operation of a program can be refined and progressively improved. This has generally been done as the result of HUD recommendations and the effort will continue."

In our opinion, HUD's comment that the deficiencies in project PA 2-4 did not have an effect on the results of the project understates the significance of the deviation from a major objective of the project--the objective of acquiring more rehabilitated single-family structures than multifamily structures. Also, we are of the view that HUD's comment is inconsistent with its persistent efforts to induce PHA to comply with the approved development program for the project.

With respect to HUD's comments that project PA 2-4 was new and that every step could not be foreseen, it should be noted that PHA had conducted several pilot projects, starting in 1958, under which 180 houses were rehabilitated. Further, PHA, under projects in 1963 and 1965, acquired an additional 1,338 rehabilitated houses. (See p. 7.) PHA's previous experience, therefore, should have provided it with substantial insight into the problems related to acquiring rehabilitated housing.

HUD also advised us that, in the opinion of PHA officials, the used-house program in Philadelphia had been highly successful in accomplishing the limited goals of providing decent, safe, and sanitary housing quickly and at relatively low cost in areas where it was urgently needed for families living in deplorable conditions. We agree that many units were quickly produced under the various projects. We believe, however, that, over the long term, greater benefits might have been achieved in relation to resources expended had the approved development program for project PA 2-4 been complied with.

CONCLUSION

Certain desirable goals of the used-house acquisition and rehabilitation project PA 2-4 were not fully achieved. HUD was aware that the rehabilitated houses acquired consisted mainly of multifamily structures rather than single-family structures and that this deviation from the approved development program had resulted in the acquisition of houses that were not particularly suitable for sale to low-income families.

HUD stated that the used-house acquisition and rehabilitation program in Philadelphia had resulted in making available a significantly large number of dwelling units for low-income families. HUD's comments indicate that, in view of such accomplishments, it does not consider the deviations from the approved development plan for project PA 2-4 to be of such importance as to have warranted suspending Federal assistance for the project although suspension was provided for in the development program.

Because of the dire need for housing for low-income families in Philadelphia, HUD's decision to not suspend Federal assistance under the PA 2-4 program may have been appropriate. Since the PA 2-4 program is substantially completed, we are not making any recommendation regarding this program. We believe, however, that, before entering into future commitments to provide Federal assistance, HUD should critically evaluate the objectives contained in development programs from the viewpoint of whether there are reasonable assurances that such objectives will be achieved.

CHAPTER 3

REHABILITATED DWELLING UNITS DO NOT MEET

CONSTRUCTION AND LIVABILITY STANDARDS

Many of the rehabilitated dwelling units acquired under PHA's acquisition and rehabilitation project PA 2-4 contained what we considered to be important deviations from the minimum standards of livability and construction established by HUD and incorporated by PHA into its acquisition and rehabilitation contracts. The results of our inspections of 50 dwelling units, selected on a scientific random basis, indicated widespread deviations from the construction standards. Similar deviations are likely to exist in most of the 2,558 dwelling units acquired by PHA by April 1969 at a cost of about \$32 million.

The deviations from minimum standards of livability and construction which we observed during our physical inspection of dwelling units were, in our opinion, due mainly to deficiencies in the construction specifications, inadequate architectural drawings, or inadequate inspections of the rehabilitated dwelling units.

The standard prices being paid by PHA to contractors for rehabilitated dwelling units are based on the premise that all contract specifications, including the minimum property standards established by the Federal Housing Administration of HUD, will be adhered to. As shown in the table on page 8 of this report, the prices vary, depending on the number of dwelling units and number of bedrooms in the structure.

RESULTS OF INSPECTIONS OF REHABILITATED UNITS

Rehabilitated dwelling units were approved, accepted, and paid for at the established standard prices even though there were important deviations from HUD's minimum standards and PHA's contract specifications. The results of our inspection of a scientific random sample of 50 rehabilitated dwelling units, as well as an inspection performed by the district attorney of Philadelphia of units approved and accepted by PHA under project PA 2-4, are discussed below.

Insulation

Contract specifications required insulation of roofs, exterior frame walls, and bays. We inspected 17 of the 50 dwelling units to determine whether insulation had been installed as required by the contract specifications. Because inspection for insulation entailed breaking into existing walls and ceilings, we limited our inspection to only 17 dwelling units. This limited test showed, however, that, of the 17 dwelling units, 11 (65 percent) were not insulated. Our inspection was prompted by a tenant's complaint to our staff that a bedroom was too cold for sleeping. Our subsequent inspection showed that the bedroom was not insulated.

At the time of our inspection, PHA had purchased 1,900 dwelling units requiring insulation. If the results of our test hold true for all the 1,900 dwelling units, about 1,200 of these units probably are not insulated. On this basis, we estimate that the cost of insulation work that was paid for but not performed would amount to \$150,000.

We discussed the results of our insulation inspection with HUD officials who then notified PHA of the deficiencies by letter dated May 12, 1969. A HUD official informed us that, as of November 25, 1969, PHA had not taken any action to determine the number of dwelling units so affected nor required the responsible contractors to take corrective action.

In commenting on our draft report in August 1970, HUD informed us that it agreed with our finding regarding the absence of insulation in roofs and window bays. HUD stated that the PHA's attorney was exploring the matter of securing redress. PHA informed us that it was currently reinspecting all units purchased within the last year and that, where deficiencies were found, the contractors would be required to correct the deficiencies under the 1-year warranty.

Both HUD and PHA stated that inspection procedures had been revised to ensure that units presently being acquired are insulated. The revised procedures were not in effect at the time of our fieldwork, and therefore we cannot comment on their adequacy.

Room size

Most acquired houses had deviations from established standards of livability that constituted potential violations of city codes.

Contract specifications recommended a minimum square-foot area for each room in multifamily structures; however, single-family structures were required only to be restored to their original floor plan, except for the specific requirement that no bedroom was to have less than 70 square feet.

We measured each room in the multifamily and single-family structures among the 50 dwelling units included in our sample. After making allowances for a smaller bedroom in each single-family structure due to unavoidable design limitations, we found that 42 of the dwelling units had at least one room with an area smaller than that established for rooms in multifamily structures.

The use of dwelling units will violate the city's housing code if the units are rented to families of the size for which they were intended. The city's housing code established 70 square feet as the minimum area of a bedroom to be occupied by one person and 100 square feet as the minimum area of a bedroom to be occupied by two persons over 12 years old.

Of the 50 dwelling units in our sample, four had bedrooms ranging from 55 to 67 square feet. Therefore certain bedrooms cannot be used without violating the city's housing code, even though, at the price PHA paid for the properties, all rooms should have been usable. In addition, 72 bedrooms in the dwelling units included in our sample contained between 70 and 99 square feet and their use constituted potential violations of the housing code since PHA intended that these bedrooms accommodate two persons.

In commenting on our draft report, HUD stated that some of the bedrooms in structures that had been accepted prior to completion of our fieldwork had less than 70 square feet. HUD attributed the acceptance of these structures to the pressing need for dwelling units, the scarcity of structures

suitable for rehabilitation, and the constraints imposed by the original layouts of the structures. HUD informed us that PHA's revised specifications would set minimum floor areas.

PHA informed us that, in each single-family structure currently being rehabilitated, the smallest bedroom had at least 70 square feet of space, the master bedroom had at least 125 square feet, and all other bedrooms had at least 100 square feet.

Coat and/or linen closets

Of the 50 dwelling units we inspected, 36 did not have coat and/or linen closets. We believe that the lack of closets may be attributable, in some part, to the lack of a specific requirement for coat and linen closets in single-family structures. This deficiency also existed in multi-family structures, but to a lesser degree. In addition, 11 closets did not have doors, although doors were required.

Contract specifications required a coat closet and a linen closet in each multifamily-structure dwelling unit; however, the specifications did not require these types of closets in single-family structures. Such closets are required, however, by the minimum property standards for residential structures of HUD's Federal Housing Administration.

HUD has informed us that coat and linen closets are now being provided. PHA stated that single-family structures currently being rehabilitated would have closets even when the structures as originally laid out did not. PHA pointed out, and our review confirmed, that the Federal Housing Administration and PHA specifications were not consistent regarding coat, bedroom, and linen closets.

Water supply pipe

Contract specifications required that pipe of L-grade copper and of 3/4-inch diameter be used for carrying the main water supply to each dwelling unit. Of the 50 dwelling units inspected, the main water supply pipe in 26 units was of M-grade copper, which is a cheaper grade that is not recommended for pressure applications, and in 40 units was of 1/2-inch diameter.

On the basis of a projection of the results of our sample, we estimated that contractors had reduced their costs by a total of about \$11,700 by not installing the specified water supply pipes in many of the single-family dwelling units completed at the time of our review. This amount did not include the cost reductions for similar deficiencies that existed in multifamily structures, because the variations in design layouts precluded our considering any one structure as being typical for purposes of determining how many feet of water supply pipe should have been used and of computing the estimated cost reductions.

We advised HUD officials by letter dated March 12, 1969, of the use of unspecified materials for water supply pipe, and HUD subsequently notified PHA of this violation. As of November 1969, PHA had not taken any action to determine the number of dwelling units so affected nor required the responsible contractors to take corrective action.

In commenting on our draft report in August 1970, HUD stated that it was requiring that contractors install copper pipe of the required grade and size in all units currently being rehabilitated and that PHA was requiring contractors to install the copper pipe of the required grade and size in all previously rehabilitated units where this had not been done.

Replacement of exterior walls

The district attorney of Philadelphia brought to light a number of instances in which contractors, although paid to replace the exterior walls of structures, merely coated the existing walls with stucco.

Many of the structures selected for rehabilitation had brick exterior walls that were not structurally sound. In such cases, PHA agreed to pay the contractors for replacing the unsound walls, in addition to paying them the basic standard price for the structures.

PHA employed a private firm to determine the extent of exterior wall work that was paid for but not done. On the basis of the data contained in the firm's reports, we estimated that about \$87,000 had been paid to the contractors for exterior wall work that was not done.

PHA officials informed us that funds had been withheld from the contractors sufficient to cover amounts paid for exterior wall work that was not done. A question still remains, however, regarding the structural soundness of the units since unsoundness was the reason for requiring the walls.

In commenting on our draft report, both HUD and PHA agreed that funds had been spent for exterior wall work that was not done. PHA informed us that it had withheld \$65,600 from the contractors who had failed to replace unsound walls.

Laundry tubs

Contract specifications required the installation of a laundry tub in the basement of each dwelling unit. Under certain conditions, however, the specifications permitted the installation of a dual-purpose kitchen sink that would also serve as a laundry tub. Although the installation of a dual-purpose kitchen sink reduced the contractors' costs by about \$100 a dwelling unit, the contracts did not provide for a corresponding reduction in the standard price paid for the rehabilitated units.

Of the 50 dwelling units we inspected, 18 had dual-purpose kitchen sinks rather than basement laundry tubs. The specifications for 10 of these 18 units had permitted the installation of dual-purpose sinks in the kitchen, but the specifications for the other eight units had required the installation of tubs in the basements.

In the 18 dwelling units that had dual-purpose kitchen sinks, hose bibs were installed in the kitchen as water-supply connections for clothes-washing machines; however, floor space for clothes-washing machines generally had not been provided.

In commenting on this finding, both HUD and PHA stated that in a dwelling unit where the basement ceiling is low and the resultant headroom is not adequate to permit laundry work, the laundry tub is installed in the kitchen.

PHA stated that in these cases no adjustments are made in the price for the unit because the prices had been

averaged on the assumption that installation of laundry tubs would be required the same number of times in basements as in kitchens.

Although it may be true that contractors would be required to install laundry tubs approximately the same number of times in the basement as they would in the kitchen, in eight of the 18 dwelling units where laundry tubs had not been installed in the basement, the specifications, as we pointed out, required such installation. Therefore these contractors would be receiving a financial benefit even though the contract prices had been averaged.

Other construction deviations

Of the 50 dwelling units inspected, eight did not have water heaters of the required capacity and 11 did not have bathtubs of the required length. A HUD official informed us that the specification requiring marine plywood subflooring in bathrooms was not being enforced. In addition, 30 dwelling units did not have tile mouldings around the tops of the bathtubs to prevent water seepage and none of the units had grab bars and soap dishes over the bathtubs.

In commenting on our draft report, neither HUD nor PHA commented on the need to adjust the contract price as a result of substituting cheaper exterior-grade plywood for the unobtainable marine plywood for the subflooring. HUD informed us that the other items mentioned above would be corrected.

WEAKNESSES IN USED-HOUSE REHABILITATION
REQUIREMENTS AND CONTROLS

The rehabilitation of used houses depends upon complex construction specifications, detailed architectural drawings, and adequate inspections of the rehabilitation work to ensure compliance with specifications and drawings. A discussion of the weaknesses that we found in these planning and control requirements follow.

Construction specifications

A general construction specification for the rehabilitation of structures under project PA 2-4 was prepared by PHA and approved by HUD for incorporation into all contracts for rehabilitation work. The specifications were deficient in certain respects, and the contractors' strict adherence to the specifications therefore offered no assurance that the rehabilitated structures would comply with HUD's minimum standards of livability and construction and with the local building codes. Specifically, the specifications

- included only recommended minimum room sizes for multifamily dwelling units, which HUD did not consider mandatory;
- did not include any quantitative standards for room sizes in single-family structures, except that each bedroom should not be less than 70 square feet;
- did not include requirements for linen closets or coat closets in single-family structures--the only requirement being that the structures be restored to their original floor plans;
- did not include requirements for installation of a bathtub grab bar and soap dishes and for tile mouldings to prevent water seepage between the walls and the tubs; and
- did not provide for floor space for clothes-washing machines.

As of September 1969 the construction specifications, although they contained numerous oversights, were still being included in contracts for the rehabilitation of over 500 dwelling units under project PA 2-12.

Architectural drawings

The procedures for the acquisition and rehabilitation program required that contractors prepare and submit to PHA architectural drawings of all structures to be rehabilitated as multifamily structures, for determination as to whether the drawings conformed to HUD's standards. Upon approval by PHA the architectural drawings were incorporated into the contracts for the rehabilitation work.

During the early phases of the used-house acquisition and rehabilitation program, HUD and PHA personnel jointly reviewed the architectural drawings submitted by contractors. Subsequently, the full review and approval responsibility was delegated to PHA whose personnel, it was felt, were knowledgeable of HUD requirements. HUD maintained minimum surveillance over the delegated responsibility and did not make any periodic reviews of architectural drawings.

PHA procedures did not require contractors to submit architectural drawings for single-family structures on the premise that restoring such a structure to its original floor plan would provide adequate habitability. PHA accepted rehabilitated single-family structures although they did not conform to the logically applicable room-area standards--those for multifamily structures, since there were no standards for single-family structures. Had PHA obtained and adequately reviewed architectural drawings for single-family structures, the lack of the requirement for coat and linen closets could have been noted.

Our review of PHA-approved architectural drawings for 102 multifamily dwelling units showed that 97 rooms had less than the minimum space recommended by the construction specifications. For 25 units the drawings did not provide for coat or linen closets, and for a few other units the design layouts were unsuitable for standard-size furnishings, contrary to PHA requirements.

HUD instituted review procedures which, it believed, would prevent any recurrence of design deficiencies. Our limited review of the revised procedures showed that HUD's review of the architectural drawings had resulted in its recommending to PHA various changes to bring the drawings up to HUD's minimum standards. PHA, however, did not always comply with HUD's recommendations, and HUD did not take any action to require compliance by PHA.

Inspections

PHA's inspectors monitor contractors' compliance with contract specifications; HUD is responsible for evaluating the effectiveness of PHA inspection activities.

PHA assigned 16 full-time building inspectors to the acquisition and rehabilitation project PA 2-4 to ensure that the housing rehabilitations were completed in accordance with construction specifications. Inspections were made at various stages of rehabilitation, and a final acceptance inspection was made before PHA purchased a property.

PHA, in our opinion, had established adequate inspection procedures, but the extent of noncompliance with contract specifications noted during our review indicated that its inspectors were not fully effective in enforcing compliance with the specifications. Some PHA inspectors informed us that they had been instructed to just look at the overall reasonableness of the finished units rather than concern themselves with strict adherence to the specifications.

Our review showed that obvious deviations from the specifications often had not been detected by the PHA inspectors. In our opinion, such deviations as those relating to room size, water supply pipes, bathtub size, hot-water-heater capacity, closet space, and replacement of exterior walls should have been readily detected.

From September 1967, when project PA 2-4 was started, to March 1968, 265 rehabilitated dwelling units were purchased by PHA. During this period, HUD assigned only one construction representative, on a part-time basis, to this project. His reports indicated that, in general, the

contractors' work was acceptable and complied with specifications and local code requirements, except for some relatively minor items. The types of deficiencies noted did not include those discussed in this report.

From March to early July 1968, a period when 477 additional dwelling units were purchased by PHA, HUD did not have a construction representative assigned to the project. A construction representative was assigned to the project in July 1968, and an additional representative was assigned in June 1969.

During our review we discussed with HUD regional officials the various types of deficiencies noted during our onsite inspections of dwelling units in project PA 2-4. In January 1969 HUD brought these matters to PHA's attention in a letter which emphasized that acceptance of substandard units by PHA could jeopardize the present used-house program (project PA 2-4) as well as future programs.

Subsequent reports of HUD's construction representatives increasingly cited deficiencies of the type noted in our inspections. Since January 1969, HUD construction representatives have notified PHA of such noncompliances as substandard room sizes and lack of closets.

In addition to the reviews by HUD's construction representatives, a comprehensive audit and operational review of PHA, which review included the used-house program, was made by HUD's internal audit staff. This review, which was started while our review of the used-house program was in progress, disclosed many deficiencies.

Many of the deficiencies reported in the internal auditors' report which was issued on June 30, 1970, involved the used-house program. Some of the findings included in the internal auditors' report corroborated the deficiencies found during our review.

AGENCY COMMENTS

HUD informed us that it agreed, in general, with our observations that deficiencies existed in construction specifications, drawings, and inspections of the used-house program. PHA indicated that these deficiencies could be attributed to constraints on the total dollars to be spent, as well as to a willingness to build a house for use as public housing that would not meet the standards for a house on the private market. HUD stated that PHA had drafted new specifications which would be applicable to new contracts and which would correct the weaknesses in the specifications cited in this report.

Under the revised specifications scale drawings are to be required for all projects. HUD stated also that PHA inspection procedures had been revised and greatly improved as to scope and required performance. PHA also agreed that deficiencies existed in the specifications and stated that action had been taken to correct the deficiencies. In response to our proposal, HUD informed us that it would advise PHA to determine the extent of noncompliances where they are known to exist and to institute action for their correction or settlement.

HUD questioned our use of MPS 300 standards for evaluating the construction and livability of the houses inspected. HUD stated that these standards applied to new construction and not to rehabilitated housing. We used the MPS 300 standards since these standards had been incorporated in the construction specifications for project PA 2-4.

HUD disagreed with our contention that it should have assigned additional construction inspection personnel to the PHA used-house program. HUD stated that this would have been contrary to its policy of placing responsibility for the execution of a program on the local agency, would have invited duplication of effort, and would have been beyond the staff capability of HUD.

On pages 36 and 37 we pointed out that HUD had provided no more than one construction representative on the used-house program until June 1969, at which time an additional representative was assigned. In addition, during a period

when 477 dwelling units were acquired, HUD did not have a representative actively assigned to the project. These factors, together with the deficiencies revealed by our review, support our belief that HUD had not adequately monitored the used-house program.

Although we agreed that responsibility for execution of a program rests with the local agency, we believe that HUD has the responsibility for ensuring that Federal funds are expended in the most efficient and economical manner. Since inspections by HUD construction representatives serve as a control over the operations of local agencies, we believe that adequate inspections are essential for HUD to properly fulfill its responsibility.

CONCLUSIONS

On the basis of the results of our scientific random sample, we believe that most of the dwelling units acquired by PHA through the acquisition and rehabilitation project contained significant deviations from acceptable minimum standards of livability and construction. In addition, deficiencies existed in construction specifications, drawings, and inspections of the used-house project.

HUD, in commenting on our draft report, agreed, in general, that the deficiencies existed and informed us of actions that had been or would be taken to correct deficiencies existing in the current program and to improve future acquisition and rehabilitation programs. We believe that the steps taken or being taken by HUD and PHA should help to prevent similar deficiencies from occurring in future acquisition and rehabilitation programs.

RECOMMENDATIONS TO THE SECRETARY OF HUD

We recommend that the Secretary of Housing and Urban Development increase HUD's surveillance of acquisition and rehabilitation programs by assigning the number of construction inspectors sufficient for ensuring that such programs are being carried out in accordance with approved plans and procedures. We recommend also that the Secretary of HUD require that corrective action be taken by local authorities when deficiencies are noted.

CHAPTER 4

NEED TO IMPROVE MATERIAL SPECIFICATIONS

Differences existed between certain materials PHA specified for use in its used-house acquisition and rehabilitation project PA 2-4 and those generally used in new construction in the Philadelphia area and recommended by HUD for use in project PA 2-4.

Because PHA's contract required that 5/8-inch dry-wall material be used in the rehabilitation of the used houses, the cost of the project was about \$500,000 more than it would have been if 1/2-inch dry-wall material--acceptable in other public housing projects--had been used.

We were informed by HUD personnel that the thicker dry-wall material had been specified to appease the local plasterers' union, the rationale being that, if the dry-wall material used was as costly as plaster, plasterers would be employed to plaster the walls. The requirement for thicker dry-wall material did not appear to have produced the desired effect, since we did not observe any walls that were plastered, nor did it appear to have added to the quality of construction, since the walls between structures were masonry.

HUD officials informed us that changing the specifications for the project would have required a renegotiation of the standard price for rehabilitating the houses, which they considered undesirable. During May 1969, 3 months after we discussed this matter with HUD officials, PHA negotiated a new standard price with the contractors for another acquisition and rehabilitation project, but the requirement for 5/8-inch-thick dry-wall material was not changed.

Hardwood stair treads generally are used for interior stairways in residential construction in the Philadelphia area and normally are installed in low-rent housing projects financed by HUD. PHA's contract specifications for project PA 2-4 did not, however, specify the type of wood to be used for stair treads and risers. As a result, the contractors generally used less expensive softwood for the construction of stair treads in the rehabilitated houses, which reduces

the durability of the stairs, requires more maintenance and repair, and has an adverse effect on the appearance of the dwelling units.

PHA's contract specifications for project PA 2-4 required that asphalt tile be used throughout the rehabilitated houses. Asphalt tile requires considerably more maintenance throughout its life than other commonly used floor-covering materials. The manufacturers of resilient flooring do not recommend the use of asphalt tile in rooms, such as kitchens, which are subject to grease spillage. They consider asphalt tile to be less resistant to the types of alkalis and detergents normally used in kitchens and bathrooms.

We were informed that asphalt tile had been used because it cost about 8 cents a square foot less than vinyl asbestos tile; however, the initial savings may be offset by the increased cost of maintaining asphalt tile.

We proposed to HUD that a review be made of the materials specified in the Philadelphia acquisition and rehabilitation program in relation to those prescribed for other HUD programs and for private construction. We proposed also that HUD evaluate the economic benefits that would be derived from the use of different types and grades of materials, giving due consideration to future maintenance costs and durability as well as initial acquisition costs. We proposed further that, on the basis of its evaluation, HUD establish standards for materials to be used in acquisition and rehabilitation projects and that HUD's approval of such projects be contingent on the use of approved materials unless adequate justification for deviations is obtained.

AGENCY COMMENTS

HUD advised us that it agreed that 1/2-inch, in lieu of 5/8-inch, dry-wall material should be adequate for walls and that it was advising PHA to reappraise the specification. HUD also informed us that softwood stairs and asphalt tile had been used in the interest of economy. HUD stated that the revised PHA specifications would require the use of hardwood stair treads and better floor-covering materials.

PHA informed us that its revised specifications incorporated the above changes. We believe that the changes made by PHA in its specifications should help to improve the quality of rehabilitated houses and should reduce the overall cost of the program, after giving due consideration to both initial installation costs and maintenance costs.

HUD advised us also that it was continually evaluating the economic benefits to be derived from the use of different types and grades of materials and that a continuing review and revision of acceptable standards was being carried out. HUD did not comment on our proposal that its approval of rehabilitation projects be contingent on the use of approved materials unless adequate justification for deviations is obtained. We believe that such approval is necessary to ensure that maximum benefits are being obtained for the Federal funds being expended.

RECOMMENDATION TO THE SECRETARY OF HUD

We recommend that, to ensure that Federal funds are expended in the most economical manner, the Secretary of Housing and Urban Development require that only materials recommended by HUD be used in rehabilitation projects, unless the use of substitute materials can be justified.

CHAPTER 5

SCOPE OF REVIEW

Our review of the used-house acquisition and rehabilitation program consisted mainly of a review of PHA's project PA 2-4 for the rehabilitation of 3,300 dwelling units. It also involved an inspection of 50 rehabilitated dwelling units that were selected on a scientific random basis. We examined applicable Federal statutes, HUD regulations, Federal Housing Administration construction standards, PHA procedures, and HUD and PHA records and interviewed local officials and HUD regional personnel. Our work was performed at the HUD central office in Washington, D.C., and at the HUD regional office and PHA in Philadelphia.

APPENDIXES



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

ASSISTANT SECRETARY-COMMISSIONER

Jul 13 1970

Mr. Max Hirschhorn
Associate Director
Civil Division
United States General
Accounting Office
Washington, D. C. 20548

BEST DOCUMENT AVAILABLE

Dear Mr. Hirschhorn:

This is in further reference to your letter of March 31 and your accompanying draft of a proposed report on this Department's Used-House Method of Providing Low-Rent Public Housing.

As I mentioned in my letters of April 24 and June 10, this year, we were seeking a response from the Philadelphia Housing Authority (PHA) in accordance with your request, before giving you our reply to the draft report. We now have received and reviewed the requested PHA report. Meanwhile we have had separate reports on the matter from our regional office in Philadelphia and from knowledgeable central office staff.

Having only quite recently acquired responsibility for low-rent public housing production, I can tell you that I sincerely appreciate any help that I can get in sizing up the integrity, effectiveness and efficiency of the program. Your report, accordingly, has been given very careful attention.

I am attaching a copy of the response provided by the Philadelphia Housing Authority (with a transmittal letter of June 8 from Deputy Executive Director, Miles Mahoney). For the convenience of your auditors in the preparation of their final draft, I am enclosing also a copy of the comments provided by our regional office and of the separate commentary supplied earlier and independently by our low-rent housing technical staff in Washington.

There appears to be a substantial degree of consistency among these responses. While they indicate disagreement with your draft report in some matters of factual detail, these appear to be relatively minor. I am more concerned with conclusions expressed.

Some of these conclusions appear to be questionable because of factual misunderstandings, which this exchange of information should help to clarify. Other conclusions, however, appear to be expressions of technical and operating judgement offered by the auditors. I believe adequate responses to these will be found in the attached comments.

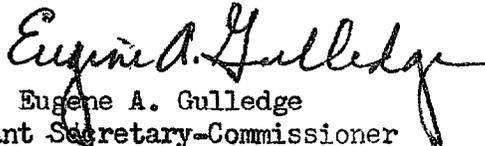
As a matter of policy, I would emphasize particularly that this used-house approach to meeting low-rent public housing needs was--and still is--in an exploratory stage. We desperately need to find ways to provide more of this class of housing in the right locations more economically. We must retain a reasonable degree of flexibility and allow for some margin of honest error if we are not to stifle the effort.

On the other hand we most assuredly will not knowingly tolerate malfeasance, misfeasance or fraud by participating contractors or other principals; and we expect our supervisory and audit staffs to maintain constant and effective vigilance accordingly. In this connection I appreciate especially that your auditors raised questions such as those concerning insulation specified but in some instances not installed, and concerning exterior wall reconstruction in some cases not performed. We are, of course, following up particularly on these matters to see that corrective action is completed as warranted; and if your staff has any basis to doubt that effective action is being taken I should be very grateful to hear further from you about it.

On the whole, I am grateful for the time and effort that your staff has devoted to this project. I feel sure that their inquiries, as well as their findings, have helped to stimulate and otherwise contribute to some of the corrective actions that have been taken. They doubtless have caused effective attention to be focused earlier on certain inadequacies than otherwise would have occurred.

I should add that I am reserving judgement to some degree on certain aspects of this operation for various reasons, not the least of which is the fact that, as you are aware, our HUD auditors also have concluded a study of this activity. Their report is expected to be available to you. In any event, your report, along with the internal audit report, will be studied further as we seek to effect continuing improvements in the efficiency and effectiveness of this innovative program approach.

Sincerely yours,


Eugene A. Gullledge
Assistant Secretary-Commissioner

Attachments



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

ASSISTANT SECRETARY-COMMISSIONER

Aug 12 1970

Mr. Max Hirschhorn
Associate Director
Civil Division
United States General
Accounting Office
Washington, D. C. 20548

Dear Mr. Hirschhorn:

Supplementing my letter of July 13, 1970, and in response to the oral request of your staff, I am forwarding a consolidated summary of the comments of the Department concerning the draft report to the Congress on the used-house method of providing low-rent public housing in the Philadelphia area. This summary covers in a succinct form suitable for inclusion in your final printed report the comments of the Department previously furnished to you with my letter of July 13.

Because the report deals with the Philadelphia Housing Authority's program, we also furnished to you with my letter of July 13 a copy of the Authority's comments on the report and the transmittal letter from Mr. Miles Mahoney, Deputy Executive Director, obtained in accordance with your request.

Again, may I express our appreciation for the opportunity to review the report and to provide you with our views and background information on the matters covered.

Sincerely yours,

Eugene A. Gulledge
Eugene A. Gulledge
Assistant Secretary-Commissioner

Enclosure

July 28, 1970

GAO DRAFT REPORT TO THE CONGRESS
"REVIEW OF THE USED-HOUSE METHOD OF PROVIDING LOW-RENT
PUBLIC HOUSING", March 1970

The above titled report concerns the manner in which HUD and the Philadelphia Housing Authority (PHA) have been administering the Acquisition and Rehabilitation (A&R) program for used houses in the City of Philadelphia, with specific reference to the part of the program designated as PA-2-4 for 3,300 dwelling units. The following paragraphs list the principal observations made in the GAO report, and HUD comments.

1. GAO Observation: Predominance of multifamily structures results in reversal of approved Development Program goal regarding types of structures.

HUD Response: The GAO report indicates that the programming of building types should have followed the breakdown as given in the Development Program (DP). It should be noted that the actual wording used in the program is as follows: "It is estimated that approximately 2,942 structures will be acquired, providing 3,300 dwelling units". The DP then tabulates the breakdown as 2,600 single-family, 325 two-family, and 17 three-family structures. The preparation of the DP for PA-2-4 was based in large part on the experience from the earlier PA-2-58, 59, and 60 programs which were generally carried out in areas of the city where two story single-family houses predominate. In the case of the PA-2-4 program, the City Council designated the Midtown areas where larger, 3 and 4 story structures predominate. By agreement, the selection of specific blocks wherein houses were to be rehabilitated was made by the Vacant House Coordinating Committee (VHCC), composed of representatives of city agencies. Consequently, the PHA restored the larger houses available to multifamily occupancy that were chosen in order to produce the needed dwelling units, particularly in view of the 6,000 to 9,000 eligible families in dire need of immediate housing. At the present time, the City Council has removed its restriction on limiting rehabilitation of existing structures to designated areas and there is now a city-wide choice of house shells. This has resulted in current production being directed to single family houses.

2. GAO Observation: Consideration should be given to promoting and encouraging homeownership.

HUD Response: At the time the DP for PA-2-4 was prepared, there was no plan for a home-ownership program and homeownership was not envisaged. Not until December 1968, did this become a serious HUD concept. The in-city areas where the PA-2-4 project was implemented offer little inducement toward homeownership whether the structures are single or multifamily. Two new programs of rehabilitation have been introduced and should improve the possibilities of homeownership. Construction standards have been improved to provide additional amenities. However, even with low interest mortgages or other available subsidies, only a few families are in financial position to undertake homeownership. If the city were to carry out its early plans for providing additional recreational and educational facilities as well as improved services in the rehabilitation areas, an additional thrust toward homeownership would be provided.

3. GAO Observation: Dwelling units acquired in locations prohibited by Development Program.

HUD Response: The applicable criterion in the DP for rehabilitation was stated as follows: a) acquisition shall be in areas approved by the City Council; b) selection of structures close to an obvious nuisance such as a slaughterhouse, junk yard, or laundry plant will be deferred. Although this is true in a few instances, the frequency does not appear to be as great as the report infers. A few of the rehabilitated houses are adjacent to industrial or commercial sites, but it should be noted that one of the characteristics of the in-city areas of Philadelphia is the frequent inter-persion of small industrial buildings and businesses in residential blocks. The rehabilitation program was not intended to change the established pattern of these areas, but rather to restore them to the type of neighborhoods that they were originally and to provide decent housing for people who have lived and wish to continue to live there, especially because they offer the advantages of near-by employment. Because structures were relatively scarce that were suitable for rehabilitation and could be obtained as vacant properties or from willing sellers of owner-occupied houses, a stipulation in the program, the PHA was induced to rehabilitate a few structures that were adjacent to commercial sites not considered too objectionable.

4. GAO Observation: Limited improvement of a neighborhood through rehabilitation.

HUD Response: The GAO report is critical of the PHA for not renewing enough structures in a given block to improve it substantially, limiting acquisition and rehabilitation to 20 percent of the houses in that block. The GAO explains the limitation as being an outcome of PHA desire to give anonymity to public housing tenants. Actually, the 20 percent limitation was applied by the PHA at the request of neighborhood groups, subject to a time limit. It was based on the understanding that other rehabilitation programs, such as those run by the Philadelphia Housing Development Corporation, FHA 235, and non-profit group programs would also take part in the process and complete the major portion of structures in the block. Unfortunately, the plans for rehabilitation by others did not amount to anywhere the volume expected with the result that most blocks were left with only the houses rehabilitated by the PHA. In such cases, now that the time limit has expired, the PHA is attempting to obtain additional single-family house shells for continuing the rehabilitation of the block.

5. GAO Observation: Periodic review of program.

HUD Response: The GAO report states that the Development Program for PA-2-4 provides for periodic review by HUD at 500-unit increments and at least once every six months. On the basis of these reviews HUD was to recommend continuation, modification, or termination of the program. The report continues by saying that although many deficiencies were known, HUD did not take effective corrective measures. Our comments follow:

APPENDIX I

Page 6

- a. The deficiencies cited by the GAO are not as prevalent or significant as would appear from the report, nor do they have a detrimental effect on the program. The used-house rehabilitation program was new. Every step could not be foreseen. It is only through experience that the operation of a program can be refined and progressively improved. This has generally been done as the result of HUD recommendations and the effort will continue.
 - b. It is HUD policy to vest in local public housing agencies, in this case the PHA, the maximum amount of responsibility in the administration of the low-rent housing program, and permit the decision making and implementing processes to be made with minimum Federal intervention. The current operating budget of the PHA shows a total of 18 development employees occupied full time on the used-house program, 15 maintenance employees partly occupied, and a substantial portion of other staff time given to the program. The HAO function has been to monitor and review the program in consonance with avoidance of duplication of PHA effort to the maximum ability of available staff. In the opinion of local officials, the used-house program in Philadelphia has been highly successful in accomplishing the limited goals of providing decent, safe and sanitary housing quickly and at relatively low-cost in areas where it is urgently needed for families living in deplorable conditions, and where there are no relocation facilities to permit a fully comprehensive program involving demolition and new construction. Because of this achievement, HUD has not found it opportune to consider terminating the program.
 - c. In those areas where HUD evaluation showed a need for modifications to the program, appropriate actions were recommended to the PHA. Most of them have been put into effect. The program is under constant review. In order to provide a substantive basis for the foregoing statement, HUD Central Office staff engineers have just made a second on-site review of PHA used-house operations. They found that an impressive number of improvements in administration, inspection, construction and materials have been effected in the period following an earlier review in November 1968.
6. GAO Observation: Rehabilitated dwelling units do not meet construction and livability standards.

HUD Response:

- a. Applicable Standards. The GAO report does not specifically cite the standards used in its evaluation of the construction and livability of the houses inspected. It is believed that reference might have been to MPS 300 and MPS 2600, which are standards for new construction, and not FHA 950 and HUD PG-50, which are standards for the rehabilitation of housing. The latter do not require some of the items that the GAO auditors found lacking.

- b. **Insulation.** There were instances of the absence of insulation in some roofs and windows bays of houses accepted for occupancy. The PHA is currently making inspection of properties to determine whether insulation had been provided, and its attorney is exploring the matter of securing redress. The revised PHA inspection procedure now calls for a certification by the inspector responsible that each structure has met specifications. The HUD Construction Representative assigned to the used-house program spot checks houses during rehabilitation as well as those that have been accepted by the PHA.
- c. **Room Size.** Some of the bedrooms in houses that had been accepted prior to the time of the GAO audit had areas less than 70 square feet. This was due to the pressing need for dwellings and the scarcity of suitable house shells coupled with constraints placed on the developer by the original layout of exterior walls, doors and windows in the houses being rehabilitated. Revised PHA specifications will set minimum floor areas.
- d. **Closets.** Linen and coat closets found lacking in some single-family buildings by the GAO auditors, even though not required by HUD PG-50, Rehabilitation Guide for Residential Properties, are now being provided.
- e. **Water Pipe.** Copper pipe of the required size and grade is now being installed in all structures. In houses where this was not done, the PHA has caused developers to carry out necessary corrections.
- f. **Plywood.** Marine plywood required by the specifications not being obtainable, the PHA agreed to accept exterior grade plywood in its place.
- g. **Exterior walls.** The PHA engaged an engineering consultant to establish the facts in regard to the failure of developers to strengthen or replace unsound exterior brick walls. The estimated cost of correction was set at \$15,000, and monies were withheld from the developers involved to have the deficiencies corrected.
- h. **Laundry Tubs.** In instances when the basement ceiling height was below 5'-11", developers were instructed to install a dual compartment sink in the kitchen in lieu of the specified concrete laundry tub in the basement. No reduction in price was made. The PHA contends that these cases are averaged into the standard schedule price.
- i. **Water heaters.** Thirty and forty gallon water heaters are now being installed depending on the size of the unit.

- j. Bathroom Appurtenances. A few 4'6" in place of the specified 5'-0" bathtubs were accepted because of space limitation imposed by the original plan or the need to add a closet or heating duct. PHA specifications are being revised to include bathroom accessories and ceramic wall tile around bathtubs to a height of 6'-0".

7. GAO Observation: Reasons for deviations from minimum standards of livability and construction.

HUD Response: In general we agree with the GAO observation that there existed deficiencies in construction specifications, drawings, and inspection of the used-house program. We have been and are continuing to take measures to correct these weaknesses. The PHA has drafted a revised set of Standards and Specifications dated December 23, 1969, which will be issued for use in new contracts. The items cited in the GAO report have been added or corrected. Under these specifications, quarter-inch scale drawings are required for all proposals. The inspection procedure performed by PHA inspectors has been revised and greatly improved as to scope and performance. The inspectors will certify on the final punch list that specifications have been complied with. The GAO report contends that the HAO should have assigned additional construction inspection personnel to the Philadelphia used-house program. This, as indicated in paragraph 5, would be contrary to HUD policy of placing responsibility for the execution of a program on the local agency, would invite duplication of effort, and is beyond the staff capability of the HAO. HUD Construction Representatives do not have full inspection responsibility. Their primary duty is to see that local housing agency procedures for construction and inspection are being satisfactorily performed and HUD requirements fulfilled. Insofar as deficiencies in houses already accepted and occupied are concerned, HUD will advise the PHA to determine the extent of noncompliances, where known to exist and institute action for their correction or settlement.

8. GAO Observation: Need to resolve differences in the quality of certain materials.

HUD Response: The GAO draws attention to three specific material deficiencies in the rehabilitation program:

- a. Drywall. 1/2-inch drywall construction in lieu of 5/8-inch should be adequate for walls. HUD is advising the PHA in regard to a reappraisal of this requirement based on PG-50 and the local building code.
- b. Interior Stairs. Hardwood stair treads are preferable to softwood treads which have been used for the sake of economy. The revised PHA specification require oak treads and risers for the first floor flight, and clear pine risers and yellow pine treads for the second and third flights.

- c. Asphalt Tile. In the interests of economy, the PHA has used asphalt tile. The new specifications call for upgrading of floor covering materials even though it will result in higher rehabilitation costs.

The GAO recommends that HUD evaluate the economic benefits to be derived from the use of different types and grades of materials and that standards be established for the acquisition and rehabilitation projects in all localities. It may be assumed that such evaluation is an on-going project and that there is continuing review and revision of acceptable standards.

9. HUD Summation: The GAO report brought out certain weaknesses in the PA-2-4 program and deviations from the original concept set forth in the Development Program. Many of these appeared in the interest of facilitating and expediting production. The program's value has not been impaired nor was the cost increased. Corrective actions have been taken both by HUD and PHA when their necessity has been revealed by experience.

The Philadelphia Used-House Program (PUHP) has provided standard and sanitary living quarters for over 5,000 families in approximately three years. The tenants enjoy facilities in their own neighborhood without relocation that are far better than were previously available. We acknowledge that the program did not provide wider streets, playgrounds, schools, community centers, nor adequate parking, all of which are important to a viable neighborhood. With more adequate funding the PUHP new construction could be used together in an urban renewal venture to provide these other facilities and greatly encourage the possibility of eventual homeownership.

COPY

THE PHILADELPHIA HOUSING AUTHORITY
2012-18 CHESTNUT STREET
PHILADELPHIA, PA. 19103

June 8, 1970

Mr. Albert D. Levy
Assistant Director of Development
Department of Housing and
Urban Development, Region II
Curtis Building
Sixth & Walnut Streets
Phila., Pa. 19106

Dear Mr. Levy:

Attached you will find the reply of The Philadelphia Housing Authority to the audit made of The Authority's Used House Program by the United States General Accounting Office.

It is my understanding that our comments will be considered in the preparation of the Department of Housing and Urban Development's reply and that they will be included in their entirety in the report to be published by the United States General Accounting Office.

Sincerely yours,

/s/ Miles Mahoney

Miles Mahoney
Deputy Executive Director

Attachment

REPLIES OF THE PHILADELPHIA HOUSING AUTHORITY
TO THE UNITED STATES GENERAL ACCOUNTING OFFICE
AUDIT OF THE PHILADELPHIA HOUSING AUTHORITY'S
USED HOUSE PROGRAM

The lengthy critique prepared by GAO, as well as HUD audits, are of value in refining the delivery system for the acquisition and rehabilitation of local housing authority dwelling units. When production is at a significant level and a large number of units are provided under any program, mistakes and imperfections will be in evidence. Obviously the important consideration is that earlier mistakes will lead to refinements and a more efficient system for future programs in Philadelphia as well as other cities. It is interesting to note that no other city except Philadelphia has produced enough rehabilitated public housing units to justify a comprehensive review.

Briefly, Philadelphia believes the following five (5) points to be of great significance and believes these five considerations have made the acquisition and rehabilitation program an unqualified success.

1. Over 5,000 dwelling units including many with 4, 5, and 6 bedrooms have been provided for low-income families in Philadelphia. This production set against a large relocation workload resulting from recent urban renewal, highway construction, and code enforcement displacement have provided relocation sources for thousands of Philadelphia relocatees.
2. The Philadelphia Housing Authority program has meant significant renewal of neighborhoods in which no private rehabilitation or new construction has occurred over a period of 15-20 years. The Philadelphia Housing Authority renewal activities in these neighborhoods are at present encouraging and making possible private rehabilitation.
3. The cost of rehabilitation of existing vacant shells is significantly less expensive than acquisition, demolition, and new construction of dwelling units. The cost of acquisition of typical row houses under urban renewal has averaged \$4,000.00 to \$6,000.00 per structure. The demolition costs are approximately \$1,500.00 per unit and the cost of new construction for a three-bedroom unit currently exceeds \$18,000.00 in Philadelphia. This extremely high cost of approximately \$25,000.00 (for only a three-bedroom unit) is much higher than the corresponding total rehabilitation cost of the existing shell. Additionally, the cost of providing new six-bedroom units in infill lots would very likely exceed \$30,000.00. Therefore, for the highly desirable scattered site program, rehabilitation of existing units is financially much more advantageous than acquisition, demolition, and new construction.
4. Almost unanimously, The Philadelphia Housing Authority residents prefer scattered site rehabilitated units over the traditional project environment. Additionally, there is no expensive security required for scattered site units thereby eliminating the fastest rising operating cost in project settings.
5. Another important contribution of the program has been the training and development of both rehabilitation contractors and rehabilitation tradesmen who have developed skills, techniques, and knowledge and have been encouraged to enter private residential rehabilitation.

PG PAR

6 1

The developers are no longer permitted to locate units in restricted areas of the city and, after approval by The Philadelphia Housing Authority, contract for rehabilitation of these properties. Numerous problems resulting from developers obtaining shells have been eliminated by using The Philadelphia Housing Development Corporation as a centralized acquisition agent. This new procedure permits more effective planning of locations for units and permits the participation of good rehabilitation developers who have experienced difficulty in obtaining sufficient numbers of vacant shells.

In September, 1969, the City Council of Philadelphia approved and the Mayor signed a bill providing for the acquisition and rehabilitation of scattered site units for public housing throughout the city, thereby eliminating quotas in certain areas and exclusion of certain areas in the City of Philadelphia.

7 4

The distribution goal on Page 7, Paragraph 4 states: "The development program stipulated that 79 percent of the rehabilitated houses were to consist of single-family structures and only 21% were to be rebuilt to accommodate two or three families". Although this precise distribution has not been met, the trend since October, 1968, indicates that the goal will be reached since no additional multi-family structures (duplexes or triplexes) are being contracted.

8 1

The figures given in this paragraph are quite deceptive since the program goals referred to on Page 7 dealt with structures, not dwelling units. To March 31, 1970, 2,817 single-family units (72% of the total) have been acquired. Seven hundred forty-one duplexes and 345 triplexes have been acquired. This makes a total of 1,086 multi-family structures which is 28% of the total.

The statement that the program promoted density beyond the range of 20-59 duplexes per acre shown in Philadelphia's Comprehensive Plan is not a strong argument against the program. The Philadelphia Housing Authority no longer rehabilitates two or three family units. Additionally, when we did rehabilitate duplexes and triplexes, they were in areas which had previously contained as many as six or seven dwelling units per row structure. Investor owners had broken these buildings into six or seven small apartments and, in fact, the rehabilitation into three units reduced the potential density of the neighborhood. These large triplex units have not been used for single-family structures for at least 40 years and some were never used for single family structures. Additionally, the density range, as presented in Philadelphia's Comprehensive Plan, is only a general recommended density range to be used as a guide and cannot be considered a limit.

9 2

Although none of the dwelling units in the multi-family houses have been sold through a homeownership program, neither have any of the single-family units been sold. This will no longer be the case in Philadelphia since 180 rehabilitated scattered site units in the Haddington Area will be sold under Turnkey III, a lease-purchase arrangement for public housing residents. In addition, the new Project Rehab Program will provide for possible sale under Section 235 of all single-family units produced for The Philadelphia Housing Authority beginning approximately July 1, 1970. These two new programs will significantly promote homeownership opportunities. The units produced prior to the beginning of Project Rehab for The Philadelphia Housing

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PG PAR

9 2

Authority were produced under a specification without sales features. In order to save construction costs, no showers were provided in any of the units. There were no hardwood floors, or even vinyl floors since asphalt tile was permitted in the specifications and is significantly less expensive. The new Project Rehab Program provides for these additional sales features which should encourage homeownership. Additionally, there are many families who do not qualify for any of the homeownership programs. Even with a 1½ mortgage in the 235 Program or in the subsidized 235 Program, thousands of Philadelphia families are not in a financial position to undertake homeownership.

10 1

The Philadelphia Housing Authority has acquired 1950 North Eighth Street adjacent to the vacant lot shown in the picture. Subsequently, The Philadelphia Housing Authority has also purchased 1807, 1908, 1909, 1910, 1916, 1919, 1920, 1921, 1922, 1923, 1924, 1926, 1929, 1934, 1935, 1939, 1941, 1943, 1945, 1949, and 1950 North Eighth Street. This is a total of twenty-one structures, approximately 45% of the block. The Authority proceeded with rehabilitation and acquisition on the premise that code enforcement would remove the objectionable uses and concentrated rehabilitation would renew the neighborhood. In some areas of Philadelphia, 20% or less of a block, when rehabilitated by The Philadelphia Housing Authority, will encourage private rehabilitation. In other areas, a more significant investment is necessary in order to stimulate private investment.

11 1/2

The City's Comprehensive Plan and planning theories as implemented by the City Planning Commission are subject to change. Undoubtedly, some rehabilitation efforts initiated as early as 1965 may be acquired for other uses which are designated at a later date. A number of prominent planners no longer judge residential use along with institutional and commercial investment undesirable.

12 1

Further detail is essential to a full understanding of this paragraph. The Philadelphia Redevelopment Authority in the Model Cities Urban Renewal Area drew plans in conjunction with the Model Cities Area Wide Council for renewal of some blocks containing rehabilitated Philadelphia Housing Authority structures, which were to be acquired and demolished to provide new housing sites. The Model Cities Urban Renewal Area originally contained some fifty Philadelphia Housing Authority dwelling units that were to be acquired in this manner. However, to date, none have been acquired and there are only five Philadelphia Housing Authority structures after some careful replanning that may require acquisition for the overall improvement of the Model Cities Area. Considering the fact that more than 3,800 structures have been rehabilitated under a program that preceded Model Cities Urban Renewal activities by four years, the possible acquisition of only five structures should be seen as a demonstration of careful planning and coordination on the part of The Philadelphia Housing Authority, the Redevelopment Authority, the City Planning Commission, and Model Cities.

PG PAR

13 1

The Philadelphia Housing Authority is cooperating with other city agencies for further rehabilitation and new construction for building in in-fill lots by both the Housing Authority and the Redevelopment Authority in the Model Cities Area. There is no guarantee that private owners will complete renewal of these areas. There is no guarantee that private owners will complete any rehabilitation. However, The Philadelphia Housing Authority's Used House Program has been designed and is being implemented to encourage such investment and recent rises in acquisition prices for vacant shells in our traditional areas indicate that private rehabilitation is being undertaken.

13 2

Every study done for the City Planning Commission, The Philadelphia Housing Authority and the Redevelopment Authority has concluded that rehabilitation is the best and most efficient method of improving a block. The high cost of demolition and new construction have placed severe limits on the financial feasibility of the new construction route to renewal.

13 3

The Philadelphia Housing Authority must question whether the photo shown on Page 13 is "Typical" of the limited effect of sporadic rehabilitation. On the contrary, a great number of blocks have been renewed and private rehabilitation has occurred simply and only because of The Philadelphia Housing Authority Program.

14 1

In some cases, a house is acquired and rehabilitated with the understanding that other vacant shells on that block are to be made available for the Used House Program. When, in fact, these additional vacant shells cannot be made available, the single rehabilitation on that block will not have the catalytic effect necessary to significantly improve the neighborhood. In cases where this has occurred, the centralized acquisition agent, The Philadelphia Housing Development Corporation, has pursued the owners of surrounding properties through all the means available to them in order to prepare a package of vacant shells which would be appropriate to The Philadelphia Housing Authority's Used House Program. The Philadelphia Housing Development Corporation is able to accept vacant shells as gifts (tax write-offs) from owners and can also eliminate city tax liens and judgements against the properties. The acquisition through sheriff sale is also utilized although it is a lengthy process.

21 1

The fifty dwelling units selected at random (which is less than 2% of the units acquired) is not necessarily a scientific random sample of the other 98% of the units.

21 4

The Philadelphia Housing Authority Inspection Division currently reports not to the Development Division, but directly to the Deputy Executive Director, and The Philadelphia Housing Authority is currently proud of the quality of work it is accepting. Rigid standards are being enforced and we invite inspection by any agency of the single-family dwelling units now being produced. In late 1969, eight of the sixteen housing inspectors were terminated as employees of The Philadelphia Housing Authority. Under a new Inspection Coordinator, the performance of the Inspection Division and the quality of the units accepted has improved considerably.

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PG PAR

22 1

The text of this paragraph shows inspection of units in a method beyond what can be considered random selection. Be assured, however, that all units presently being produced are insulated. Before developers are allowed to sheetrock, the amount and quality of the insulation is inspected. Currently, a reinspection of all units purchased within the last year is being carried out and where deficiencies are found, the developer must repair these deficiencies under the one year warranty.

Currently, in spite of the questionable and conflicting requirements of The Federal Housing Administration, The City of Philadelphia Housing Code, and The Philadelphia Housing Authority specifications, no single-family structure is being rehabilitated with the smallest bedroom less than 70 sq. ft. All other bedrooms in a single-family unit must have at least 100 sq. ft. and the master bedroom must be at least 125 sq. ft.

23 3

There is also confusion as to the FHA-PHA Specifications regarding coat, bedroom and/or linen closets. In single-family units coat and linen closets, as well as bedroom, are required for FHA Minimum Property Standards. The Philadelphia Housing Authority specification required bedroom closets but are silent with regard to coat and/or linen closets. Currently, no single-family houses are being rehabilitated without a coat closet and linen closet even if the original design of the house did not contain either or both of these closets.

25 1, 2, 3

The question of wall work being paid for and not provided by the contractor has been carefully researched and in a few cases, amounting to perhaps \$15,000.00, walls were paid for and not provided. Monies from retention funds were taken to cover this loss from the appropriate developers, the walls were made structurally sound, the developers were disqualified from the program, and in some cases criminally prosecuted. In many of the cases which were thought to be fraudulent wall contracts, careful examination proved that the walls had been done or the wall had been certified as not requiring replacement and the money was deleted from the contract.

26 1

When the basement ceiling is less than 5'11" from the floor, laundry tubs are installed in the kitchen rather than in the basement since there is not sufficient room in the basement to provide an adequate area for laundry work and it is structurally and financially unfeasible to lower the basement floor. In the cases where this happens, no adjustment is made in price since, on the average, developers will have to put laundry tubs in the basement approximately the same percentage of the time and that percentage is averaged into the overall price.

PG PAR

28 1

The five deficiencies in the specifications listed are, in fact, deficiencies which have in large part been corrected by the new specifications for the Project Rehab Program. The fact that the former specifications which had been approved by HUD did not correspond to the ultimate in building practices is true, but this fact is not a valid criticism of the program since there were constraints on the total dollars to be spent as well as a willingness to build a house for public housing which did not meet the standards of the private market. This is no longer true and the renewal of vacant shells in Philadelphia under Project Rehab will meet high standards of design and construction either for sale under Section 235 or for rental to a public housing resident. In addition to the new specifications which will correct these deficiencies, amendments and additions to the old specification have been issued on a continuing basis and have upgraded the quality of the units produced.

29 1

$\frac{1}{4}$ " scale architectural drawings will be required for all single-family units in the new Project Rehab Program.

34 2

The new specification includes $\frac{1}{2}$ " dry wall rather than the previously used $\frac{5}{8}$ " thickness.

35 3

In the new Project Rehab specifications new stairs are required using oak treads and risers in place of soft wood.

36 2

In place of the asphalt tile throughout the house, the new specifications call for strip oak flooring in the living and dining room areas, vinyl-asbestos tile in the kitchen and all bedrooms and ceramic tile on the bathroom floors.

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THE PHILADELPHIA HOUSING AUTHORITY

2012-18 CHESTNUT STREET

PHILADELPHIA, PA. 19103

GORDON CAVANAUGH
CHAIRMAN

THOMAS J. DUGAN

JAMES A. NOLEN, JR.

LAWRENCE PRATTIS

WILLIAM L. RAFSKY

MILES MAHONEY
DEPUTY EXECUTIVE DIRECTOR

September 1, 1970

Mr. Albert D. Levy, Director, Production Division
Department of Housing & Urban Development
Curtis Building
6th & Walnut Streets
Philadelphia, Pa .19106

BEST DOCUMENT AVAILABLE

Dear Mr. Levy:

In reference to our letter of June 8, 1970 covering replies of The Philadelphia Housing Authority to the audit made of the Authority's Used House Program by the U. S. General Accounting Office, we would like to amend two areas of those replies.

1. On Page 2 of our replies referring to Page 8, Paragraph 1 of the Audit, the breakdown of structures should be as follows:

1124	single unit structures
609	duplexes
<u>293</u>	triplexes
<u>2026</u>	total number of structures

2. On Page 5 of our replies referring to Page 25, Paragraphs 1,2,3 of the Audit, Walls paid for by the Authority and not provided by the Developers amounted to \$65,600.

Sincerely yours,

Miles Mahoney
MILES MAHONEY
Deputy Executive Director

APPENDIX III

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

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HOUSING AND URBAN DEVELOPMENT (formerly Administrator, Housing and Home Finance Agency):		
Robert C. Weaver	Feb. 1961	Dec. 1968
Robert C. Wood	Jan. 1969	Jan. 1969
George W. Romney	Jan. 1969	Present
ASSISTANT SECRETARY FOR RENEWAL AND HOUSING MANAGEMENT:		
Don Hummel	May 1966	Feb. 1969
Howard J. Wharton (acting)	Feb. 1969	Mar. 1969
Lawrence M. Cox	Mar. 1969	July 1970
Norman V. Watson (acting)	July 1970	Present
ASSISTANT SECRETARY FOR HOUSING PRODUCTION AND MORTGAGE CREDIT AND FEDERAL HOUSING COMMISSIONER:		
Eugene A. Gullledge	Oct. 1969	Present