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REPORT TO THE CONGRESS



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Opportunity To Improve Allocation Of Program Funds To Better Meet The National Housing Goal B-118754

Department of Housing
and Urban Development

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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OCT. 2, 1970



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

B-118754

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

This is our report on the opportunity to improve allocation of program funds to better meet the national housing goal of the Department of Housing and Urban Development. Our review was made pursuant to the authority in the Budget and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

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 cursive script that reads "James B. Stacks".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

The Department of Housing and Urban Development (HUD) is the principal agency of the Federal Government providing financial assistance to State and local agencies in carrying out programs for providing suitable housing and living environments for American families. One of these programs is the urban renewal program.

Because of the impact of the urban renewal program on housing and living environments, the General Accounting Office (GAO) undertook this review. GAO examined into

- the effect of the urban renewal program on housing for families with low or moderate incomes;
- methods used by HUD in allocating funds under that program; and
- whether HUD, in considering communities' requests for financial aid and in allocating funds, used the information provided in the communities' so-called workable programs.

A workable program is an official plan of action, prepared in accordance with HUD guidelines, for using public and private resources to prevent or eliminate slums and blight and to guide growth and development.

FINDINGS AND CONCLUSIONS

HUD needs an improved system to better ensure that the projects it helps support are responsive to the greatest needs of the cities in relation to the national housing goal--the realization of a decent home and a suitable living environment for every American family as soon as feasible. (See p. 12.)

The need for an improved system is evidenced by the effect that the urban renewal program has had on the supply of housing for low- and moderate-income families.

The legislative history of the urban renewal program indicates that it was the congressional intent that the program should contribute to the improvement of housing conditions for urban families.

The program's effect on housing for low- and moderate-income families in a large number of cities has been the opposite. HUD records showed that, as of June 30, 1968, the program had resulted in

- a significant reduction in housing, especially for low- and moderate-income families, in project areas nationally (see pp. 18 and 19);
- a significant reduction in the land area used and scheduled for use for residential purposes in project areas (see p. 17); and
- the demolition, in 324 of the cities, of about 88,000 more dwelling units than were constructed for low- and moderate-income families under all HUD housing programs in those cities (about 126,000 units were built and about 214,000 units were torn down) (see p. 19).

HUD records showed also that the program had concentrated primarily on commercial, institutional, and industrial development, rather than housing, particularly in the 1959-68 period. (See pp. 13 to 16.)

In each of four cities discussed in some detail in this report, GAO found that urban renewal had contributed to a shortage of housing for low- and moderate-income families. (See pp. 20 to 29.)

Those results of the urban renewal program, in GAO's opinion, were due in large part to the methods HUD used to allocate funds. Those methods, in practice, took insufficient account of the national housing goal. (See p. 30.)

Until 1967 HUD's approvals of requests for financial aid for urban renewal were on a first-come-first-served basis. In that year HUD adopted a system giving priority to projects that conserved and expanded the supply of housing for low- and moderate-income families, developed new employment opportunities, or renewed areas with critical and urgent needs. The system allowed exemptions from the priority requirements in certain situations. (See pp. 30 and 31.)

Many grants made from February through December 1968 were awarded as exemptions from the priority requirements. About 48 percent (\$187.9 million) of the funding was granted for nonresidential purposes.

GAO believes that a project's impact on a city as a whole and on the national housing goal should be a prime factor in HUD's approval of the project, whether it is an urban renewal project or a project under some other HUD program. To assess the impact, program officials need current, complete, and accurate information on conditions in the city that is applying for a grant.

Such information normally could be provided by the workable program, with certain revisions in format and content. Information from workable programs was not generally used in the consideration of requests for financial aid under HUD's various programs, including urban renewal. Yet the

usefulness of workable program information was demonstrated in at least two of the four cities in GAO's review. (See pp. 35 to 38.)

HUD has an opportunity to redirect some nonresidential urban renewal projects toward the needs of the cities in relation to the national housing goal. Such projects are those that are in the planning stage and those that are in the execution stage but have significant areas of land uncommitted for redevelopment. (See pp. 43 to 45.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of HUD should

- establish an improved system for allocating Federal funds under each of HUD's various programs to those projects that will be responsive to the greatest needs of the cities in relation to the national housing goal;
- consider using the workable program as the information base for such a system; and
- consider reevaluating urban renewal projects involving redevelopment primarily for nonresidential purposes that are in the planning stage or, if in the execution stage, that have significant land areas still uncommitted for redevelopment. Such reevaluation should determine those areas where it would be appropriate and feasible (1) to change the planned use of the land to a use that will meet the cities' greatest needs in relation to the national housing goal or (2) to withdraw the grant awards for projects in the planning stage where it is not feasible to change the planned land use.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Under Secretary of HUD advised GAO that HUD was engaged in devising a satisfactory set of objectives and criteria and a satisfactory resource allocation system for the urban renewal program. He said that HUD was considering various information sources, including the workable program, for use in evaluating communities' requests for funds. (See app. I, pp. 57 to 60 .) GAO concurs in HUD's consideration of various information sources but believes that HUD needs a resource allocation system that would be applicable to each of its various programs for assisting in attaining the national housing goal. HUD's consideration of a system should not be limited to the urban renewal program.

HUD regards as unjustified GAO's conclusion that program funds had not been effectively allocated. HUD stated that the conclusion was based on an analysis that dealt only with the housing aspect of the urban renewal program. GAO recognizes that the program has goals other than housing but believes that achievement of those goals should be sought

in a manner that does not result in a significant reduction in the housing available to low- and moderate-income families. (See p. 47.)

The Under Secretary did not comment on GAO's recommendation covering reevaluation of nonresidential urban renewal projects.

MATTERS FOR CONSIDERATION BY THE CONGRESS

These matters are being reported to the Congress in view of the lack of significant progress toward attaining the national housing goal and in view of the opportunity indicated to allocate certain HUD funds in a manner that would be more responsive to the needs of cities in relation to that goal.

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ABBREVIATIONS

HUD	Department of Housing and Urban Development
GAO	General Accounting Office
LPA	local public agency

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CHAPTER 1

INTRODUCTION

The General Accounting Office has examined into the methods used by the Department of Housing and Urban Development (HUD) for allocating financial resources under the urban renewal program and into the effect of the urban renewal program on housing for low- and moderate-income families. Our examination did not cover all aspects of the program or include an overall evaluation of the success of the program in meeting all its various goals.

We also examined into whether HUD, in allocating financial resources under its various programs, used the information contained in workable programs submitted by the communities. The scope of our review is described on page 53 of the report.

HUD is the principal agency of the Federal Government responsible for providing financial assistance to the States and local public bodies to aid in attaining the national housing goal established by the Congress. This goal, established by the Housing Act of 1949 (42 U.S.C. 1441) and reaffirmed in the Housing and Urban Development Act of 1968 (42 U.S.C. 1441a), is the realization of a decent home and a suitable living environment for every American family as soon as feasible.

The Housing Act of 1949 which established the national housing goal also established the urban renewal program (then titled the slum clearance and community development and redevelopment program).

The relationship of the program to the national housing goal was indicated by the May 1949 report of the House Committee on Banking and Currency which stated:

"While the slum-clearance program provided in this title is separate from those provisions dealing directly with housing [a separate title of the Housing Act of 1949 extended the low-rent public housing program, which

had been originally established in 1937], your committee wishes to emphasize that the primary justification for Federal assistance for this purpose is the improvement of housing conditions for urban families. This program must be conducted in such a manner that it will contribute to, rather than detract from, this essential objective."

* * * * *

"*** the clearance of slums and the provision of decent housing for families who live in them are inseparable. Any slum clearance which fails to assure adequate housing for the families who presently live in slums would be merely forcing them into worse conditions. This applies with particular force to families of minority races for whom the problems of relocation are particularly difficult.

"The slum-clearance program, therefore, is set in the context of a bill which has as one of its major purposes the provision of adequate housing for such families."

Urban renewal projects are initiated and carried out by local public agencies (LPAs), which are designated by the government of the community. An LPA can be a State, county, municipal, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project for which assistance is sought.

The Housing Act of 1949 as originally enacted provided that in built-up areas financial assistance under the urban renewal program be extended only to areas that were either predominantly residential in character before urban renewal or that were to be redeveloped under urban renewal for predominantly residential purposes.

In built-up areas this permitted the funding of the two following types of projects: (1) projects for the redevelopment of predominantly residential areas for their

most appropriate predominant use, either residential or non-residential, and (2) projects for the redevelopment of predominantly nonresidential areas for predominantly residential purposes.

Subsequently, the act was amended to permit the funding of projects for the redevelopment of predominantly non-residential areas for predominantly nonresidential purposes. As of June 30, 1968, a general provision of the act stated that up to 35 percent of the funds available for the urban renewal program may be provided for such projects.

In addition, a further 10 percent of available grant funds may be used for projects in areas certified by the Secretary of Commerce as redevelopment areas without regard to the requirement that the project areas must be predominantly of a residential character either before or after redevelopment under urban renewal. Projects designated as college, university, and medical projects may also be funded without regard to the requirement.

Urban renewal projects are accomplished in two basic phases--planning and execution. During the planning phase which generally takes several years, an LPA determines which structures must be acquired and cleared because of their condition or the necessity to provide for different land utilization and which structures may be rehabilitated.

The product of project planning is an urban renewal plan which must be approved by the governing body of the locality and submitted to HUD for approval. The approved plan sets forth the locality's objectives for the area; establishes controls for such things as land uses and residential densities; generally identifies the location of streets, utilities, schools, and other public improvements; provides evidence of relocation resources; and establishes rehabilitation standards if rehabilitation is involved.

The execution phase of an urban renewal project includes the acquisition and clearance of those properties that are to be cleared, the rehabilitation of existing structures which can be renewed by such action, the relocation of residents who are to be displaced by project

activities, and the disposition of the cleared land to public or private redevelopers for redevelopment in accordance with the project plan.

Financial assistance for urban renewal projects is provided by HUD through planning advances, loans, and capital grants.

A planning advance, which is made to an LPA to finance the planning of an urban renewal project, is repayable out of any funds which become available to the LPA for the execution of the project. To enable an LPA to undertake a project, HUD makes direct loans to the LPA or guarantees loans obtained by the LPA from other sources.

Capital grants are also made to LPAs to fully reimburse them for (1) payments made to individuals, families, and businesses for certain expenses of relocating from urban renewal project areas, (2) payments to certain eligible project residents to assist them in rehabilitating their properties, and (3) for the Government's share, usually two thirds, of the remaining net project costs (gross costs less proceeds from the disposition of land). LPAs usually use capital grants to liquidate loans which they have obtained to defray project costs.

From the inception of the urban renewal program in 1949 through December 31, 1968, HUD awarded urban renewal capital grants of about \$7.1 billion for 2,046 approved projects. During the same period, HUD disbursed about \$2.6 billion of these grant funds. Of the capital grants awarded for the 2,046 projects as of December 31, 1968, about \$0.5 billion was for 424 projects that had been completed, about \$5.3 billion was for 1,172 projects that were in the execution stage, and about \$1.3 billion was for 450 projects that were in the planning stage.

The requirement that communities requesting financial assistance under various housing programs, including the urban renewal program, submit a workable program for review and approval by HUD was established by the Housing Act of 1954 (42 U.S.C. 1451(c)). Also, the Housing and Urban Development Act of 1965 (42 U.S.C. 1451(e)) prohibits the Secretary of HUD from entering into a loan or grant contract

for an urban renewal project unless he determines that (1) the workable program presented by a community is of sufficient scope and content to furnish a basis for evaluating the need for an urban renewal project and (2) the project is in accord with the community's workable program.

The Housing Act of 1954 provided that communities would not be provided financial assistance under certain programs of the Housing and Home Finance Agency (the predecessor of HUD) unless:

"*** (1) there is presented to the Administrator by the locality a workable program (which shall include an official plan of action, as it exists from time to time, for effectively dealing with the problem of urban slums and blight within the community and for the establishment and preservation of a well-planned community with well-organized residential neighborhoods of decent homes and suitable living environment for adequate family life) for utilizing appropriate private and public resources to eliminate, and prevent the development or spread of, slums and urban blight, to encourage needed urban rehabilitation, to provide for the redevelopment of blighted, deteriorated, or slum areas, or to undertake such of the aforesaid activities or other feasible community activities as may be suitably employed to achieve the objectives of such a program, and (2) on the basis of his review of such program, the Administrator determines that such program meets the requirements of this subsection and certifies to the constituent agencies affected that the Federal assistance may be made available in such community: ***."

To implement the workable program requirement of the Housing Act of 1954, HUD established the following seven elements that workable programs submitted by communities must contain.

1. Adequate codes and ordinances.
2. A comprehensive community plan for land use, thorough-fares, community facilities, public improvements, and zoning and subdivision regulations.
3. A neighborhood analysis to locate blight, determine its extent, and recommend remedial action.
4. Establishment of an adequately staffed administrative organization to coordinate action and check regularly on progress toward the attainment of established goals.
5. A review of needs, identification of sources of funds, and provision for required financing.
6. A plan to meet the relocation needs of families being displaced by governmental action.
7. Establishment of a citizen's advisory committee to obtain the broad support of the community's civic, business, and professional leaders.

HUD established also a requirement that each community submit its workable program to HUD annually for recertification. The communities submit requests for certification and recertification of their workable programs to the HUD regional offices for review and evaluation by their workable program branches. The workable program branch is assisted in reviewing and evaluating workable programs by the planning, relocation, and economic and market analysis branches.

Upon completion of the regional offices' review of workable programs and a determination of their adequacy, they are submitted to the workable program branch in Washington, D.C., for further review and certification by a HUD Assistant Secretary.

In October 1968, HUD made the first major revision to the workable program requirements. The revision eliminated the seven elements which the programs were previously required to contain and provided instead for reporting in four areas.

The revision also extended the period covered by the program certification from 1 year to 2 years, modified reporting and documentation requirements, and provided new criteria for evaluating community performance. The new criteria for evaluating community performance provide for an assessment of a community's analysis of its problems and needs, long-range goals for overcoming such problems, action programs to deal with identified problems, and progress in meeting goals and objectives. These criteria are further discussed on page 38.

At December 31, 1968, 1,851 communities had workable programs in effect or in the process of recertification.

The principal HUD officials responsible for the activities discussed in this report are listed in appendix II.

CHAPTER 2

OPPORTUNITY TO IMPROVE ALLOCATION OF PROGRAM FUNDS TO BETTER MEET THE NATIONAL HOUSING GOAL

We believe that HUD needs an improved system to better ensure that the funds available under each of its various programs are allocated for projects that are responsive to the greatest needs of the cities applying for financial assistance in relation to the national housing goal of a decent home and a suitable living environment for every American family.

In our opinion, the need for HUD to improve its resource allocation system is evidenced by the effect that the urban renewal program, one of HUD's major programs, has had in reducing the area of land used and to be used for residential purposes in project areas and in reducing the supply of housing for low- and moderate-income families.

EFFECT OF URBAN RENEWAL PROGRAM ON THE NATIONAL HOUSING GOAL

It has been widely recognized that the national housing goal has not been met. For example, in its report dated December 12, 1968, the National Commission on Urban Problems stated that only about 460,000 units of public housing had been completed in the 19 years since the enactment of the Housing Act of 1949, which authorized the construction of 810,000 public housing units in the first 6 years of the program alone. Another example is the following statement contained in the Housing and Urban Development Act of 1968:

"The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goals, established in the Housing Act of 1949, of the 'realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family.' The Congress

reaffirms this national housing goal and determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families."

We examined into the contribution made by the urban renewal program toward the achievement of the national housing goal, particularly with regard to its effect on people with low or moderate incomes, because (1) unlike HUD's other programs, the urban renewal program, at its extremes, can result in either a significant increase or a significant decrease in the number of housing units, depending on the redevelopment plans selected for the projects, and (2) the program was one of the earliest major programs established for helping to meet the national housing goal.

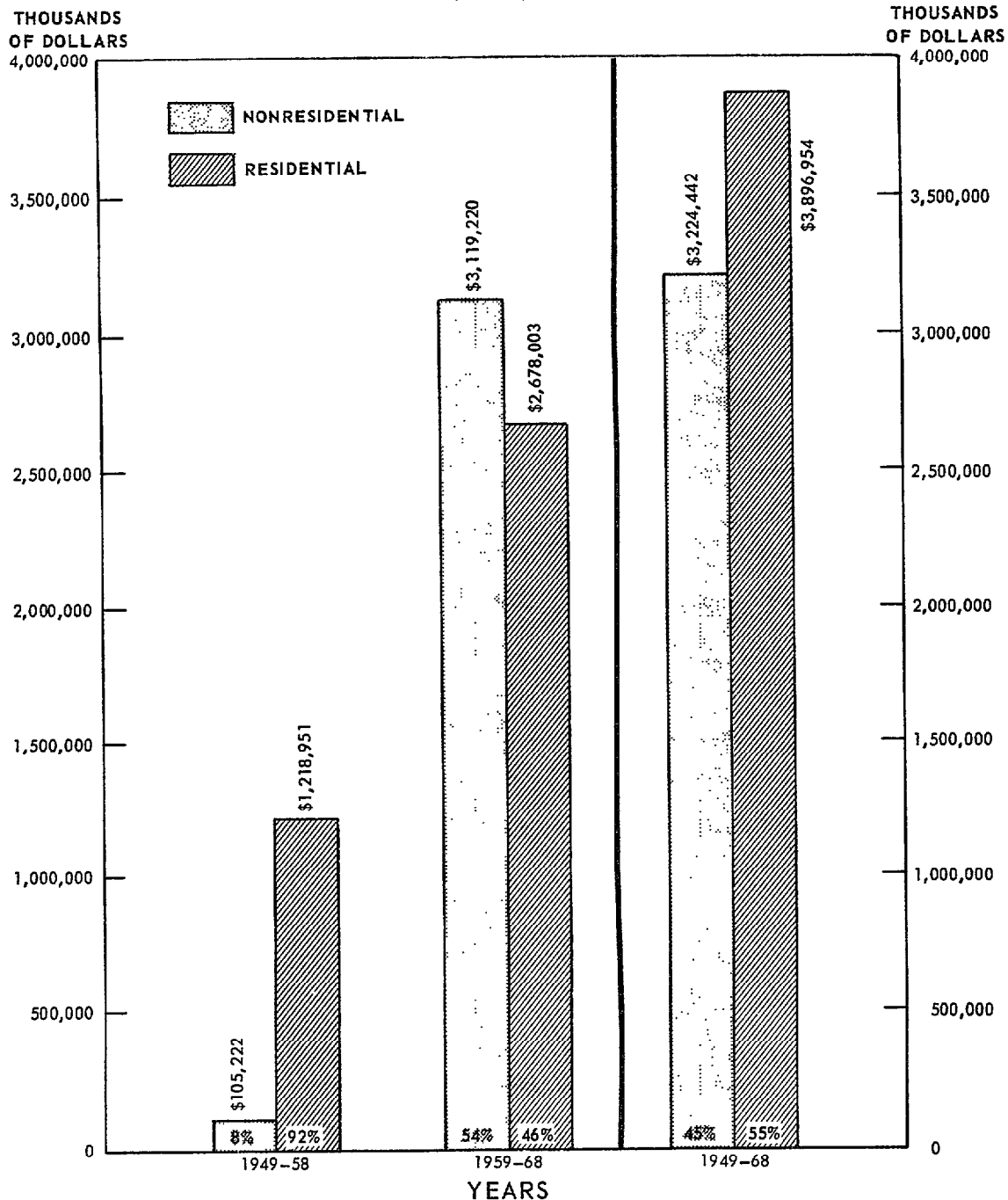
HUD records show that, from the inception of the program in 1949 through June 30, 1968, grant funds of about \$7.1 billion had been awarded for approved urban renewal projects. The following graph shows a comparison between the amount of grant funds awarded for the redevelopment of urban renewal project areas (1) primarily for nonresidential purposes such as commercial, institutional, and industrial development, and (2) primarily for residential purposes since the inception of the urban renewal program through December 31, 1968.

As shown by the graph:

- Of the \$7.1 billion of grant funds awarded under the program since its inception in 1949 through December 31, 1968, about \$3.2 billion, or about 45 percent, was for the redevelopment of project areas for primarily nonresidential purposes.
- Of the \$5.8 billion of grant funds awarded during the 10-year period 1959 through 1968, more than half were for the redevelopment of project areas primarily for nonresidential purposes.

**COMPARISON OF GRANT FUNDS FOR THE REDEVELOPMENT OF URBAN RENEWAL PROJECT
AREAS PRIMARILY FOR NONRESIDENTIAL PURPOSES WITH GRANT FUNDS
FOR THE REDEVELOPMENT OF AREAS PRIMARILY FOR RESIDENTIAL PURPOSES SINCE
THE INCEPTION OF THE URBAN RENEWAL PROGRAM IN 1949 THROUGH DECEMBER 31, 1968**

(note a)



^aThe primary redevelopment objective of an urban renewal project is determined by HUD on the basis of which use--residential or nonresidential--is to be made of 51 percent or more of the land after redevelopment.

The graph on page 16 shows the amount of grant funds awarded for redevelopment of urban renewal project areas (1) primarily for nonresidential purposes and (2) primarily for residential purposes during each calendar year from 1959 through 1968.

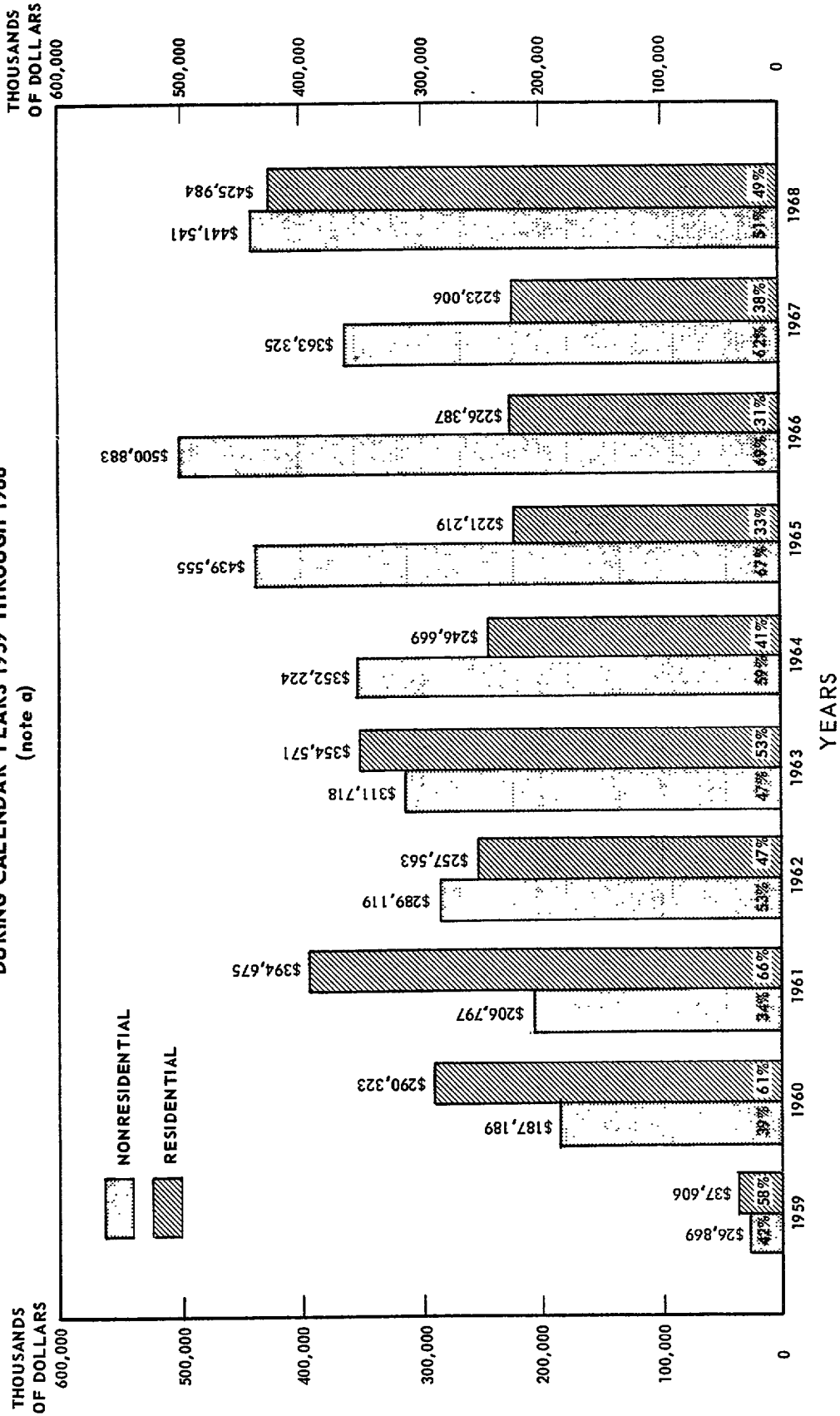
As shown by the graph:

- The amount of grant funds awarded for the redevelopment of project areas primarily for nonresidential purposes steadily increased through 1966, and, although it decreased in 1967 and 1968 from the 1966 high, it still represented about 62 and 51 percent, respectively, of the total amount of funds awarded.
- More than half of the total grant funds awarded in each of the 5 calendar years from 1964 through 1968 were for the redevelopment of project areas primarily for nonresidential purposes--in 2 of the calendar years (1965 and 1966) the amount of grant funds awarded for redevelopment of project areas primarily for nonresidential purposes was almost twice the amount awarded for redevelopment of project areas primarily for residential purposes.

A total of 1,495 urban renewal projects were approved for execution from the inception of the program in 1949 through June 30, 1968. HUD records show that about 56,000 acres will be acquired under the 1,495 projects. At June 30, 1968, about 43,000 acres had been acquired--of which about 26,000 acres had been committed for redevelopment, were under contract for redevelopment, or were already redeveloped.

The table on page 17 shows that a significant area of land previously used for residential purposes will be converted to nonresidential uses.

COMPARISON BETWEEN THE AMOUNT OF GRANT FUNDS AWARDED FOR REDEVELOPMENT OF URBAN RENEWAL PROJECT AREAS
 PRIMARILY FOR NONRESIDENTIAL PURPOSES AND PRIMARILY FOR RESIDENTIAL PURPOSES
 DURING CALENDAR YEARS 1959 THROUGH 1968



a The primary redevelopment objective of an urban renewal project is determined by HUD on the basis of which use--residential or nonresidential--is to be made of 51 percent or more of the land after redevelopment.

Primary use (51 percent or more) of project land before urban renewal	Primary use (51 percent or more) of project land after urban renewal	Number of projects	Acres before urban renewal			Acres after urban renewal		
			Total	Resi- dential	Nonresi- dential	Total	Resi- dential	Nonresi- dential
Residential	Nonresidential	554	15,315	11,554	3,761	15,315	3,122	12,193
Nonresidential	Nonresidential	<u>425</u>	<u>12,410</u>	<u>3,523</u>	<u>8,887</u>	<u>12,410</u>	<u>2,034</u>	<u>10,376</u>
Subtotal		<u>979</u>	<u>27,725</u>	<u>15,077</u>	<u>12,648</u>	<u>27,725</u>	<u>5,156</u>	<u>22,569</u>
Residential	Residential	446	17,613	14,952	2,661	17,613	13,097	4,516
Nonresidential	Residential	<u>70</u>	<u>1,844</u>	<u>607</u>	<u>1,237</u>	<u>1,844</u>	<u>1,166</u>	<u>678</u>
Subtotal		<u>516</u>	<u>19,457</u>	<u>15,559</u>	<u>3,898</u>	<u>19,457</u>	<u>14,263</u>	<u>5,194</u>
Total		<u>1,495</u>	<u>47,182</u>	<u>30,636</u>	<u>16,546</u>	<u>47,182</u>	<u>19,419</u>	<u>27,763</u>

Note: The acres shown are exclusive of about 8,800 acres of land used for streets, sidewalks, and other public purposes.

As indicated by the table:

--Of the 1,495 projects, 979, or about 65 percent, were for the redevelopment of project areas primarily for nonresidential purposes, whereas only 495 projects (425 plus 70), or about 33 percent, were primarily nonresidential areas before urban renewal.

--In terms of acreage, there will be a net shift of about 11,000 acres of land from residential to non-residential uses, or a net reduction of about 35 percent in the area of the land devoted to residential use.

--Most of the reduction in the areas of the land devoted to residential use will occur in the 554 project areas that were used primarily for residential purposes before urban renewal and which are being redeveloped primarily for nonresidential purposes.

The following table shows the number of dwelling units demolished and constructed as of June 30, 1968, and the number of dwelling units to be demolished and to be constructed in the 1,495 project areas approved for execution under the program as of June 30, 1968.

		Dwelling units							
		Number of projects	Demolition			Construction			
Primary use (51 percent or more) of project land before urban renewal	Primary use (51 percent or more) of project land after urban renewal		Total	De-molished as of June 30, 1968	To be demolished	Total (note a)	Con-structed as of June 30, 1968	To be constructed	
							On land committed for develop-ment as of June 30, 1968	On land un-committed for rede-velopment-- HUD estimate	
Residential	Nonresidential	554	181,841	158,975	22,866	63,591	31,005	32,586	(b)
Nonresidential	Nonresidential	425	170,404	149,181	21,223	36,758	12,492	24,266	(b)
Subtotal		979	352,245	308,156	44,089	100,349	43,497	56,852	(b)
Residential	Residential	446	203,726	121,102	82,624	102,010	66,900	35,110	(b)
Nonresidential	Residential	70	17,532	10,368	7,164	21,290	13,778	7,512	(b)
Subtotal		516	221,258	131,470	89,788	123,300	80,678	42,622	(b)
Total		1,495	573,503	439,626	133,877	457,549	124,175	99,474	233,900

^a Column will not add down because the number of dwelling units to be constructed on land uncommitted for redevelopment is available in total only--233,900 dwelling units--and cannot be distributed between the various types of projects.

^b Not available.

The preceding table shows that, as of June 30, 1968:

--In the 1,495 project areas, 439,626 dwelling units were demolished whereas only 124,175 dwelling units were constructed, a reduction of about 315,000 dwelling units.

--A reduction of about 265,000 dwelling units, or about 84 percent of the total, occurred in those project areas to be used primarily for nonresidential purposes after urban renewal.

Also, HUD records indicate that, of the 124,175 dwelling units constructed and the 99,474 units planned for construction on land committed to redevelopers in project areas as of June 30, 1968, only about 94,600 units, or less than half, were for low- and moderate-income families.

A precise figure is not readily available from HUD records as to the number or percentage of low- and moderate-income families that have been displaced as a result of demolitions in urban renewal project areas. It is generally recognized, however, that substantially all the dwelling units demolished under the program had been occupied prior to urban renewal by low- and moderate-income families. HUD records do indicate that, of the total number of families relocated or to be relocated under the urban renewal program as of June 30, 1968, more than half

had incomes low enough to make them eligible for low-rent public housing.

Thus, the urban renewal program has resulted in a significant reduction in housing, particularly housing for low- and moderate-income families in the 1,495 project areas. Further, even after completion of all construction in these areas, there will be a net housing reduction of about 116,000 dwelling units in the areas. Since most of the dwelling units constructed or to be constructed in the project area are for other than low- and moderate-income families the reduction of housing in the project areas for low- and moderate-income families will be significantly greater than the net reduction of about 116,000 dwelling units.

Housing for low- and moderate-income families has also been provided under other HUD programs, however, at sites outside urban renewal project areas. HUD records show that, from 1949 through June 30, 1968, 552,896 dwelling units for low- and moderate-income families had been constructed nationwide under all HUD programs. Most of these units were constructed at sites outside urban renewal project areas under the low-rent public housing program.

This number of dwelling units is only about 113,000 in excess of the 439,626 units that had been demolished under the urban renewal program as of June 30, 1968, and does not take into consideration the many thousands of demolitions resulting from other HUD programs (such as public housing) and other Federal programs (such as the Federal highway program) and activities carried out by the communities (such as code enforcement and street and school construction).

Further, we found that even this increase in dwelling units was not achieved on a consistent city-by-city basis. For 324 cities (including the four cities discussed in the following section of this report) HUD records indicate that, as of June 30, 1968, urban renewal had resulted in the demolition of about 88,000 more dwelling units than were constructed for low- and moderate-income families in these cities from 1949 through June 30, 1968, under all HUD programs. About 214,000 dwelling units were demolished in these cities and about 126,000 dwelling units were constructed.

Examples of cities where urban renewal projects contributed to a housing shortage

In addition to our review of the available national statistics previously discussed, we examined into urban renewal activities in four cities in which urban renewal had resulted in a reduction of housing in project areas similar to that noted on a national basis. We found that, in each of these four cities, urban renewal had contributed to a shortage of housing for low- and moderate-income families.

We found also that HUD had approved urban renewal projects that would result in the demolition of a significant number of dwelling units in three of the four cities after a shortage of housing for low- and moderate-income families had been recognized.

City A

As of June 30, 1968, HUD had awarded grants for city A totaling \$86.9 million for the execution of 19 urban renewal projects. This amount included \$57.5 million for the redevelopment of 13 project areas primarily for nonresidential purposes.

The status of demolition and construction in the 19 urban renewal project areas is shown in the following table.

Project	Primary use (51 percent or more) to be made of project land after urban renewal	Year of approval	Grant funds awarded (millions)	Status of demolitions and constructions as of June 30, 1968	
				Demolished	Constructed
A	Residential	1950	\$ 4.6	1,958	1,718
B	Nonresidential	1957	4.8	771	-
C	Residential	1957	4.4	358	571
D	Nonresidential	1957	2.6	262	8
E	do.	1959	5.2	509	-
F	do.	1959	3.4	161	-
G	do.	1960	4.7	917	142
H	Residential	1960	2.8	288	1
I	do.	1961	6.5	1,709	214
J	Nonresidential	1963	5.5	1,484	-
K	do.	1963	3.4	956	210
L	do.	1964	2.6	-	-
M	do.	1965	3.4	408	-
N	do.	1965	9.6	834	-
O	do.	1965	1.2	-	-
P	do.	1965	2.7	395	-
Q	do.	1966	8.4	236	-
U	Residential	1968	1.1	-	-
R	do.	1968	10.0	-	-
Total			\$86.9	11,246	2,864

The table shows that as of June 30, 1968:

- Under the 19 urban renewal projects in city A, 11,246 dwelling units had been demolished and only 2,864 units had been constructed, a net reduction of 8,382 dwelling units.
- Most of the reduction in housing in the project areas occurred in the projects being developed primarily for nonresidential purposes.

Although the 11,246 dwelling units demolished had been utilized prior to urban renewal primarily by low- and moderate-income families, only 218 of the 2,864 dwelling units constructed in the 19 project areas as of June 30, 1968, were for low- and moderate-income families.

HUD records show that, from 1949 through June 30, 1968, only 3,637 dwelling units of housing for low- or moderate-income families had been constructed under HUD-assisted housing programs in areas of the city outside of the urban renewal project areas. Thus, as of June 30, 1968, under all HUD-assisted housing programs in city A, about 7,400 more dwelling units had been demolished than had been constructed for low- and moderate-income families.

As of June 30, 1968, an additional 2,379 dwelling units for low- and moderate-income families were planned for construction in city A. However, demolition of a further 1,962 dwelling units under urban renewal was also planned. Also, although there are no definitive figures available, there may be additional dwelling units eventually constructed on the approximately 460 acres of land in the project areas which were uncommitted for development as of June 30, 1968. HUD records show, however, that about 310 acres of the uncommitted land are located in project areas approved primarily for nonresidential development. Such units as may eventually be constructed, however, will not be available at the time displacements caused by urban renewal are occurring.

A shortage of housing for low- and moderate-income families existed in city A at the time of the 1960 census.

The report on the census showed that many low- and moderate-income families were paying an excessive amount for housing or were sharing a dwelling unit with another family. Also, many were living in substandard housing. We found several indications that the housing shortage continued after 1960. For example:

--A HUD regional office official in the Economic and Market Analysis Branch informed us that he was aware as early as 1963 that a shortage of housing existed in city A.

--In August 1965 city A submitted an application for financial assistance for low-rent public housing which made reference to a shortage of decent, safe, and sanitary housing for low- and moderate-income families.

Of the 11 projects approved by HUD subsequent to 1960, eight, including five of a predominantly residential character, were to be redeveloped for predominantly nonresidential purposes. As of June 30, 1968, these 11 projects had resulted in the demolition of 6,022 dwelling units, or over 2,000 more dwelling units than had been constructed for low- and moderate-income families in city A from 1949 through June 30, 1968, under all HUD housing programs combined.

In view of the housing shortage for low- and moderate-income families which existed in city A as early as 1960, we believe that the urban renewal program activities described further contributed to the shortage even though many of the dwelling units demolished under the program were probably substandard.

A major civil disturbance occurred in city A in the summer of 1967. Shortly thereafter HUD took action to coordinate urban renewal with the city's housing needs. This action involved requests for financial assistance to plan urban renewal projects. For details on how this was accomplished and the use made by HUD of information contained in the city's workable program, see pages 35 to 37.

City B

As of June 30, 1968, HUD had awarded grants to city B totaling \$40.5 million for the execution of nine urban renewal projects, of which \$35.4 million was for the redevelopment of seven of the project areas primarily for nonresidential purposes.

The status of demolition and construction in the nine urban renewal project areas is shown in the following table.

<u>Project</u>	Primary use (51 percent or more) to be made of project land after urban <u>renewal</u>	Year of <u>approval</u>	Grant funds awarded (millions)	Status of demolitions and constructions as of <u>June 30, 1968</u>	
				<u>Demolished</u>	<u>Constructed</u>
A	Nonresidential	1959	\$ 4.5	1,649	766
B	do.	1959	8.0	1,552	-
C	Residential	1959	2.4	325	212
D	do.	1960	2.7	482	-
E	Nonresidential	1960	5.4	1,554	126
F	do.	1962	2.6	-	-
G	do.	1964	.2	78	-
H	do.	1965	5.9	150	-
I	do.	1966	<u>8.8</u>	<u>628</u>	<u>-</u>
Total			<u>\$40.5</u>	<u>6,418</u>	<u>1,104</u>

The table shows that, as of June 30, 1968:

--Dwelling units numbering 6,418 had been demolished under the nine urban renewal projects and only 1,104 dwelling units had been constructed, a net reduction of 5,314 dwelling units.

--Of the dwelling units demolished, 5,611 were in project areas to be redeveloped primarily for non-residential purposes.

Although the 6,418 dwelling units demolished had been utilized prior to urban renewal primarily by low- and moderate-income families, only 930 of the 1,104 dwelling

units constructed in the project areas as of June 30, 1968, were for low- and moderate-income families.

HUD records show that, from 1959--the year the first urban renewal project was approved for execution in city B--through June 30, 1968, only 2,213 dwelling units of housing for low- and moderate-income families had been constructed under HUD-assisted housing programs in areas of city B outside of the urban renewal project areas. Thus, from 1959 through June 30, 1968, under all HUD housing programs in the city, about 3,300 more dwelling units were demolished than were constructed for low- and moderate-income families.

The Federal Housing Administration, HUD, conducted an analysis of the city's housing market as of February 1, 1966. Our analysis of housing data, including certain information contained in the Federal Housing Administration analysis, indicated that there was a shortage of housing for low-income families in the city.

In September 1966 the city issued a report on a study financed in part by HUD which showed a shortage of housing for low- and moderate-income families. In part, the report stated that:

"Regardless of structural conditions, there appears to be a shortage of about 5,300 housing units available to Negroes and 2,100 housing units available to white families renting for \$55 a month or less in the *** [city]. This shortage is, of course, in terms of needs reflected by affordable rents."

The city subsequently reevaluated its planned urban renewal activity. This matter is discussed starting on page 37.

As of June 30, 1968, 3,568 dwelling units for low- and moderate-income families were planned for construction in city B. Demolition of about 400 additional dwelling units under urban renewal was also planned. Also, although there are no definitive figures available, there may be additional dwelling units eventually constructed on the

approximately 200 acres of land in project areas which were uncommitted for redevelopment as of June 30, 1968. HUD records show, however, that about 150 acres of the uncommitted land are located in project areas approved for primarily nonresidential redevelopment. Further, such units as may eventually be constructed, will not be available at the time displacements caused by urban renewal are occurring.

City C

As of June 30, 1968, HUD had awarded grants for city C totaling \$9.6 million for the execution of five approved urban renewal projects. The status of demolitions and constructions in the five urban renewal project areas is shown in the following table.

<u>Project</u>	Primary use (51 percent or more) to be made of project land after urban <u>renewal</u>	Year of <u>approval</u>	Grant funds awarded (millions)	Status of demolitions and constructions as of <u>June 30, 1968</u>	
				<u>Demolished</u>	<u>Constructed</u>
A	Residential	1961	\$1.2	91	164
B	Nonresidential	1962	.3	-	-
C	Residential	1965	2.4	612	-
D	Nonresidential	1965	4.8	100	-
E	do.	1967	<u>.9</u>	<u>168</u>	<u>-</u>
<u>Total</u>			<u>\$9.6</u>	<u>971</u>	<u>164</u>

The table shows that, as of June 30, 1968, 971 dwelling units had been demolished under the five urban renewal projects and only 164 units had been constructed, a net reduction of 807 dwelling units.

Although the 971 dwelling units demolished in the urban renewal project areas had been utilized prior to urban renewal primarily by low- and moderate-income families, none of the 164 dwelling units constructed in the project areas as of June 30, 1968, were for low- and moderate-income families.

A housing shortage was recognized in city C in January 1967. At that time, a newspaper article quoted a Veterans Administration official as follows:

"We've gone from a community of oversupply [of housing] two years ago [1965] to one of under-supply. The vacancy ratio in [the city] is less than 3 percent, which is abnormally tight in my estimate. The only vacancies available are not available for the disadvantaged. They are available for those who can pay for them. None of us can fairly say how many we are short, I know it would be a fairly good figure, perhaps 500."

Three urban renewal projects were approved for execution in city C from 1965 through 1967. As of June 30, 1968, 880 dwelling units had been demolished in these project areas whereas no units had been constructed. HUD records show that, from 1949 through June 30, 1968, only 685 dwelling units for low- and moderate-income families had been constructed in city C under all HUD housing programs combined. Thus, it appears that urban renewal contributed to the housing shortage for low- and moderate-income families in the city.

As of June 30, 1968, an additional 754 dwelling units for low- and moderate-income families were planned for construction in city C. Demolition of an additional 58 dwelling units under urban renewal was also planned. Also, although there are no definitive figures available, there may be additional dwelling units eventually constructed on the approximately 240 acres of land in the project areas which were uncommitted for redevelopment as of June 30, 1968. HUD records show, however, that about 170 acres of the uncommitted land are located in project areas approved primarily for nonresidential development. Further, such units as may eventually be constructed, will not be available at the time displacements caused by urban renewal are occurring.

City D

As of June 30, 1968, HUD had awarded grants for city D totaling \$16.7 million for the execution of three urban renewal projects. The status of demolitions and constructions in the three project areas is shown in the following table.

<u>Project</u>	Primary use (51 percent or more) to be made of project land after urban renewal	Year of approval	Grant funds awarded (millions)	Status of demolitions and constructions as of	
				June 30, 1968	
				<u>Dwelling units</u> <u>Demolished</u>	<u>Constructed</u>
A	Residential	1963	\$ 1.1	176	95
B	Nonresidential	1965	9.9	860	-
C	Residential	1967	<u>5.7</u>	<u>188</u>	<u>-</u>
Total			<u>\$16.7</u>	<u>1,224</u>	<u>95</u>

The table shows that as of June 30, 1968, 1,224 dwelling units had been demolished and only 95 units had been constructed, a net reduction of 1,129 dwelling units.

The 1,224 dwelling units demolished had been utilized prior to urban renewal primarily by low- and moderate-income families. Of the 95 dwelling units constructed as of June 30, 1968, 91 units were for low- and moderate-income families.

HUD records show that, from 1949 through June 30, 1968, 648 dwelling units (including the 91 in urban renewal project areas) for low- and moderate-income families had been constructed in city D under all HUD housing programs. Thus, as of June 30, 1968, almost twice as many dwelling units had been demolished under urban renewal as had been constructed in the city for low- and moderate-income families under all HUD housing programs.

In December 1966 the city commission adopted a resolution declaring that there was a shortage of safe and sanitary accommodations for persons of low income in the city. Also in February 1967, a housing Demand and Market Absorption

report by the Federal Housing Administration, HUD, contained the following statement:

"It is a fact, and reported many times by various agencies that:

1. There is an insufficient inventory of standard low-rent housing units in the city and county and the building of such units is at a bare minimum.
2. Families with children in the low and low-to-moderate-income categories who do not own their homes experience great difficulty in finding adequate living quarters because of (1) inability to pay more than a small amount for rent, and/or (2) reluctance of landlords to rent to families with children."

Since, as indicated in the preceding table, the urban renewal projects approved in 1963 and 1965 for city D had resulted, as of June 30, 1968, in the demolition of 1,036 dwelling units--units utilized prior to urban renewal primarily by low- and moderate-income families--it appears that urban renewal in the city contributed to the housing shortage recognized by the city in 1966 and by the Federal Housing Administration in 1967. Also, as indicated in the preceding table, 188 dwelling units were demolished as of June 30, 1968, in the area of the urban renewal project approved for execution in 1967--subsequent to the recognition by the city of the housing shortage--and no new units were constructed in the project area.

As of June 30, 1968, 1,366 dwelling units for low- and moderate-income families were planned for construction in city D. However, demolition of 942 dwelling units under urban renewal was also planned. Further, although there are no definitive figures available, there may be additional dwelling units eventually constructed on the approximately 120 acres of land in the project areas which were uncommitted for redevelopment as of June 30, 1968. HUD records show that about 90 acres of the uncommitted land are located in

project areas approved primarily for residential development. Such units as may eventually be constructed, however, will not be available at the time prior displacements caused by urban renewal are occurring.

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The impact of urban renewal becomes even more significant when consideration is given to the volume of dwelling units eliminated by other governmental activities, such as highway and street construction, local code enforcement, and school construction. Although definitive national statistics are not available on the number of dwelling units eliminated by these activities, city officials in the four cities included in our review estimated that other governmental activities eliminated a total of about 13,000 dwelling units between January 1, 1964, and June 30, 1968, in the four cities. Of the estimated 13,000 units that were eliminated by the activities during this period, about 45 percent were indicated to have been occupied by low-income families.

Since the number of dwelling units provided for low- and moderate-income families from 1949 through June 30, 1968, under all the HUD-assisted housing programs in the four cities was not sufficient to offset the number of dwelling units eliminated under the urban renewal program, the demolitions resulting from other governmental activities further contributed to the housing shortage in these cities.

Methods used by HUD for allocating financial resources under the urban renewal program

We believe that the urban renewal program results presented previously are in large part due to the methods used by HUD for allocating financial resources under the program. In our opinion, these methods, in practice, did not provide for adequate consideration of whether the proposed project activities would meet the greatest needs of the cities in relation to the national housing goal.

In May 1967 HUD adopted a priority criteria system for use in approving requests for financial assistance for urban renewal projects. Prior to this time HUD had approved such requests on a first-come-first-served basis after determining that certain general eligibility and project planning requirements had been met. These requirements primarily concerned the conditions in the areas before urban renewal to provide justification that the selected area was sufficiently deteriorated to justify Federal assistance and that the proposed extent of treatment planned--either clearance or rehabilitation--was necessary or feasible.

Although the cities were also required to furnish statements establishing how an urban renewal plan was in conformity with their workable programs and describing an urban renewal plan's relationship to certain local objectives, we found that (1) the local objectives covered were not directly related to the housing objective and (2) the statements furnished by the cities to meet these requirements were generally short narratives that were not descriptive of how a plan was in conformity with the workable program or of the relationship of a plan with local objectives.

The criteria system adopted by HUD in May 1967 required that priority be given to the approval of urban renewal projects for the conservation and expansion of the housing supply for low- and moderate-income families. The system required also that priority be given to projects providing for either the development of new employment opportunities or for the renewal of areas with critical and urgent needs for urban renewal assistance.

In January 1968, HUD established more definitive requirements under its priority system that a project must meet to receive priority for funding. In regard to the conservation and expansion of the housing supply for low- and moderate-income families, a project must as a minimum (1) provide that more than 50 percent of the net project acreage be utilized for housing and related uses for low- and moderate-income families and (2) provide that more than 50 percent of the housing units to be permitted by the urban renewal plan for sites to be cleared and redeveloped in a project area be for low- and moderate-income families.

HUD provided for several types of projects to be exempt from the priority funding requirements. These types included projects (1) that contribute to a better balance in a city's overall renewal efforts, (2) in cities with approved community renewal programs, under certain circumstances, (3) which are necessary to ensure the success of a preceding project, and (4) in cities that had not previously had an urban renewal project.

The basis on which grants were awarded for urban renewal projects under the priority system from February through December 1968, is summarized in the following table.

<u>Basis for grant award</u>	<u>Number of projects</u>	<u>Grant funds awarded (millions)</u>	<u>Percent of total grant funds awarded</u>
Awarded on the basis of a priority:			
Conservation and expansion of housing for low- and moderate-income families	35	\$116.7	30.0
Employment	5	35.4	9.1
Critical and urgent need	<u>2</u>	<u>6.2</u>	<u>1.6</u>
Subtotal	<u>42</u>	<u>158.3</u>	<u>40.7</u>
Awarded on the basis of an exemption:			
First project	63	178.7	45.9
Balanced renewal	1	2.5	.7
Other exemptions	<u>3</u>	<u>6.7</u>	<u>1.7</u>
Subtotal	<u>67</u>	<u>187.9</u>	<u>48.3</u>
Basis not stated	<u>9</u>	<u>43.0</u>	<u>11.0</u>
Total	<u>118</u>	<u>\$389.2</u>	<u>100.0</u>

As shown in the table:

--Of the grant funds awarded of \$389.2 million, \$187.9 million, or about 48 percent, was awarded on the basis of an exemption to requirements of the priority system--only \$116.7 million, or about 30 percent, was awarded for projects meeting the priority requirement of conserving and expanding housing for low- and moderate-income families.

Also, HUD records show that, of the grant funds awarded of \$389.2 million, \$187.8 million, or about 48 percent, was awarded for the redevelopment of project areas primarily for nonresidential purposes, only 6 percent less than the percentage of grant funds awarded for the redevelopment of project areas primarily for nonresidential purposes during calendar years 1959 through 1968. (See the graph on p. 14.)

Thus, although it cannot be known what allocation of resources might have occurred under the urban renewal program during the period February through December 1968, had the priority system not been in effect, a significant portion of the grant funds were awarded even under the priority system (1) on the basis of exemptions to the priority funding requirements and (2) for the redevelopment of project areas primarily for nonresidential purposes.

We believe that the past experience under the urban renewal program, including the experience after HUD adopted its priority system, indicates that HUD needs an improved system for allocating its financial resources to better ensure that the projects approved will be responsive to the greatest needs of the cities applying for financial assistance in relation to the national housing goal.

This system, in our opinion, should be designed to provide program managers with comprehensive overall data relative to the housing, employment, and other needs of a city applying for financial assistance for urban renewal projects. We believe that, if such information were available to program managers during their review of a city's application, they would have a better basis for determining which of the

proposed projects should be approved, thus resulting in an improved allocation of funds.

We believe also that the system should provide for specific definitive information on the various other needs of the cities within the realm of HUD assistance under its various other programs--such as the open space and neighborhood facilities programs--which would be useful in allocating funds under those programs. In our opinion, such information would enable HUD to more effectively allocate its available funds toward local and national needs and would also provide a basis for determining the funds needed in the future and for establishing realistic national goals and priorities in the areas within its responsibility.

WORKABLE PROGRAM COULD PROVIDE
INFORMATION NEEDED BY HUD TO
EFFECTIVELY ALLOCATE AVAILABLE
RESOURCES UNDER ITS VARIOUS PROGRAMS

We believe that the workable program, with certain revisions and improvements in format and content, could be effectively used to provide HUD program managers with the comprehensive overall data on housing and other conditions in the cities that is needed to approve projects and allocate funds under each of the various HUD programs with better assurance that the projects will be responsive to the greatest needs of the cities in relation to the national housing goal.

Although we recognize that other methods could probably be devised to obtain this information, we believe that the workable program is particularly susceptible to use for this purpose. We believe also that the law contemplated the use of workable program information as a basis for allocating funds under the urban renewal program.

The HUD workable program handbook indicates that the basic purpose of the requirement for workable programs is to ensure that cities requesting Federal assistance for urban renewal and housing programs understand the array of forces that create slums and blight and are willing to recognize and take the steps within their power to prevent and overcome slums and blight. According to the handbook, the requirement for a workable program is based on the recognition that the Federal and local relationship is one of partnership and that providing Federal funds for urban renewal and housing projects cannot be effective unless the cities exercise the full range of their powers on a sustained and coordinated basis for preventing and eliminating slums and blight.

HUD regulations require that the workable program branches of the central office and the regional offices coordinate activities under the workable program with activities under various other HUD programs for which the workable program is prerequisite to Federal financial assistance. We found, however, that HUD considered that the

workable program branch was required only to notify other program branches, except for urban renewal projects, as to whether a city had an approved workable program.

With regard to urban renewal, the HUD workable program branch is responsible for determining, as required by the Housing Act of 1969, as amended (42 U.S.C. 1451(e)), that a city's workable program is of sufficient content to furnish a basis for evaluating the need for an urban renewal project and that the project is consistent with the objectives of the program.

The director of the HUD workable program branch in the central office informed us that the workable program branch considered the requirements of the law to have been met if (1) a proposed project area had been identified for urban renewal in the workable program and (2) the proposed projects were consistent with the objectives of the workable program. He stated that latitude was permitted in determining whether the proposed projects' boundaries, scheduling, priorities, and types of urban renewal treatment conformed to the proposals stated in the workable program. He informed us also that the urban renewal staff was notified of the workable program branch's determinations but was not furnished with the information on which the determinations were based.

Although we found that the information contained in cities' workable programs was not generally coordinated with the information from various HUD programs such as urban renewal, the utility of information developed for or contained in workable programs for use by program managers in evaluating and approving requests for HUD assistance was illustrated in at least two of the four cities included in our review.

In one city data provided in the city's 1967 workable program, on the number of families expected to be displaced by governmental action in a future period, was used by HUD urban renewal program officials in conjunction with data contained in the city's application for financial assistance for urban renewal projects in evaluating the application. HUD's evaluation of this data, as set forth in a letter to

the city, showed that, within the 3-year period ended in June 1970, the city expected to displace a minimum of 6,760 families (2,574 under urban renewal projects). HUD pointed out that the average number of families that the city expected to displace from all areas in each of the 3 years was nearly 40 percent higher than the average number of families that had been relocated in each of the 5 preceding years.

HUD questioned the adequacy of the city's resources to rehouse the indicated number of families that would be displaced and required the city, as a condition for obtaining further urban renewal project assistance, to submit the following information: a current inventory of housing units; vacancy and turnover rates for standard housing units; complete information on new units to be constructed and added to the housing inventory through June 1970; and more detailed information on possible displacements of families under other governmental programs.

The required information submitted by the city showed that during the 3-year period about 450 fewer families would be displaced than previously had been reported--a decrease of about 7 percent--and about 35,000 fewer standard relocation housing units would be available than previously had been reported in the city's 1967 workable program--a decrease of about 67 percent.

On the basis of the information received from the city, the HUD regional office concluded that there was a need for establishing priorities in the approval of the city's pending applications for Federal financial assistance for urban renewal projects. Therefore, the Regional Administrator notified the city housing commission in December 1967 that those applications for assistance for projects that would most significantly contribute to the supply of low-income housing while displacing a minimum number of families would be approved first.

We believe that HUD's action in this case has resulted in the allocation of Federal funds to those urban renewal projects that are directed toward the greatest overall needs of the city in relation to the national housing goal. We

believe also that it indicates the benefits that may be derived by correlating and coordinating all available data in the review of project applications and by obtaining assurance, where the data reviewed appears questionable, that such data is accurate.

HUD, however, did not take the above action until several years after a shortage of housing for low- and moderate-income families had existed in this city and had been recognized by the city and by certain HUD officials and until a major civil disturbance had occurred in the city. See pages 20 to 22, city A.

We also noted another case in which information developed by a city for workable program purposes was used by the city in such a manner that caused Federal assistance to be directed toward the city's most urgent need and toward accomplishment of the national housing goal. The city on its own initiative used the information developed to evaluate its overall needs and to submit to HUD, on the basis of this evaluation, only those requests for Federal assistance under HUD's various programs which would help alleviate the city's most urgent housing needs.

The information developed by the city showed that it had a serious shortage of low- and moderate-income housing and that 16,800 units of this type of housing were needed during the 5-year period ending in 1971. To help overcome this problem, the city applied to HUD for Federal assistance for the construction of 3,000 low-rent public housing units. In addition, the city declined to act on a recommendation of its planning department that the city apply to HUD for Federal assistance for an urban renewal project which would displace over 2,300 families. The city rejected the recommendation primarily because of the shortage of housing in the city.

We believe that, as indicated by the above examples, the workable program could be used by HUD as a basis for allocating available funds under its various programs. We believe, however, that the case discussed on page 36, in which HUD found that the city had significantly overstated its available resources in the workable program, indicates

that HUD will require added assurance that the information furnished by cities in their workable programs is reasonably accurate and indicative of the actual overall conditions in the cities.

We believe also that the workable program could be used more effectively by HUD as a basis for allocating funds under its various programs if each city's workable program provided more definitive information on the city's (1) overall housing and related problems, (2) plans for dealing with these problems over a specified period of time showing the specific actions, programs, or projects to be initiated to meet these problems and the estimated impact of such actions, programs, or projects, and (3) actual progress in accomplishing its plans during the periods between submissions of workable programs for recertification.

Moreover, we believe that the cities could beneficially use such information, as discussed in the example on page 37, to direct their local efforts and to make sound judgments as to the type of Federal assistance that should be requested.

HUD has taken certain action, with regard to the workable program, which provides for obtaining the type of information that we believe to be necessary. During our review, HUD conducted studies of the workable program concept, which resulted in October 1968 in the first major revision of the program format since 1954. The revision modified the reporting and documentation requirements and extended the period covered by the program certification from 1 year to 2 years. HUD also established new criteria for its evaluation of a community's performance.

HUD's evaluation of community performance under the new criteria is to be directed toward an assessment of a community's:

1. problem analyses--adequacy of the analysis of the problems and needs.
2. long-range goals--adequacy and reasonableness of the long-range goals and targets for overcoming such problems.

3. action programs--adequacy of the specific actions and timetables proposed to deal with the problems during the next period of certification, in light of available resources and the magnitude of the problems.
4. progress--demonstration of reasonable continuing progress toward meeting specified goals and objectives.

We believe that this is a definite move in the right direction. However, in our opinion, the revised format on which workable program data is to be submitted does not appear to be designed to elicit from the cities the kind of information apparently desired. For example, under the planning and programming element of the workable program, the revised format requests a city to furnish information on its analysis of the problems of the city, in the following manner.

1. Describe the status of the community's general plan with respect to its completion and adoption and indicate the nature and status of each of the functional plans or components that constitute the general plan--such as land use, transportation, housing, community facilities, and public improvement programs.
2. List the studies that have been or are being made of the major physical, social, racial, and economic problems of the slum and blighted areas--such as renewal, education, employment, and recreation needs--and indicate the estimated completion dates for the studies under way.
3. Briefly describe, in quantifiable terms to the extent possible, the magnitude of the problems or needs identified.
4. Briefly describe, in quantifiable terms to the extent possible, the 5- or 6-year goals or targets for accomplishment in meeting the problems or needs indicated in 3 above.

5. Briefly describe the action programs to be undertaken in the next certification period for meeting the needs and the estimated budgets for such programs, including the capital improvements budget.

In our opinion, specific and more detailed quantifiable or statistical data is essential if the workable program is to be a meaningful planning and action document for both the cities and HUD. The revised workable program format provides for only brief descriptions of such crucial factors as the magnitude of the problems or needs of a city and its goals or targets. We believe, therefore, that the revised workable program format is not likely to produce adequate overall data needed to make the workable program a fully effective document for evaluating a city's needs in relation to the national housing goals and for use in allocating program funds.

In the above connection, a trip report by an official of the Washington workable program staff, covering his review of the HUD Region III office's initial experience with the submissions on the new format of the workable program, stated that the Region III staff was concerned because the format was eliciting one-line narrative statements by the cities of much of the information requested and that, inasmuch as supporting documentation was not required, HUD had almost nothing to evaluate and no means to measure actual performance. Thus, it appears to us that further action by HUD is necessary if the cities' workable programs are to meet the objectives intended by HUD--and in which we concur--of having overall data submitted under the workable programs specifically setting forth the cities' needs and their plans for, and accomplishments toward, meeting those needs.

In our opinion, certain techniques used in requesting information on housing in a planning application under the model cities program would provide a basis for revising the format of the workable program to make it a more effective planning and action document.

The model cities program was established as a program to help cities deal more effectively with the broad range

of urban problems in a restricted area or neighborhood, by giving the cities the technical and financial assistance necessary to coordinate and concentrate public and private resources in a locally developed program. Under the program, a city receives planning funds as the first step of a 5-year program to improve physical, social, and economic conditions in the selected neighborhood.

HUD requires that the plan submitted furnish information on: (1) program analysis, goals, and program approaches and strategy, (2) the 5-year forecast, and (3) the 1-year action program. Also, separate information of the type noted above is required in several different program areas such as housing, education, health, and employment. More importantly, however, HUD requires that the plan include definitive and specific statistical information. HUD requires also that the 5-year objective and 1-year action program be related to the problems, goals, and program approaches and strategy developed for each element, such as housing and employment.

The type of data furnished on housing in one model city plan is described below.

The model city plan described housing conditions by furnishing a complete statistical breakdown indicating (1) the number of housing units, the number occupied, the number owner occupied, the number renter occupied, and the number vacant, (2) the number of sound units with all plumbing facilities, those lacking only hot water, and those lacking other plumbing facilities, and (3) identical information to that in (2) above for deteriorating units.

The plan also identified the causes of existing unsatisfactory conditions such as (1) lack of available money in the low-income segment to build housing and little opportunity to buy, (2) lack of available financing for building housing, and (3) lack of public works--such as water, sewage, and drainage--in some areas of the city.

The specific goals established for the 5-year period, in connection with these conditions, were to (1) substantially reduce the percentage of dilapidated houses from an

estimated 20 percent to 5 percent, (2) decrease the percentage of homes occupied by more than one person per room from 40 percent to 20 percent, (3) increase the percentage of sound structures from 50.8 percent to 75 percent, and (4) decrease the percentage of houses without plumbing from 43.6 percent to 5 percent.

In addition, the plan showed both the Federal and local programs for achieving each of the stated goals and the specific stage of achievement planned.

We believe that the submission in the workable program of housing data along the above lines would be useful although such data need not, in our opinion, be as extensive or as detailed as that contained in the model city plans.

We believe that, if a city submitted comprehensive housing and related data in its workable program, HUD would have (1) a better basis for evaluating the extent to which the city had met the requirements for certification and recertification of its workable program and (2) a source of information which could be used to effectively allocate its funds under each of its major programs toward meeting the city's greatest needs in relation to the national goal.

Also, we believe that a city's inclusion of comprehensive citywide housing and related data in its workable programs could possibly result in a reduction in the amount of information required in its requests for financial assistance for individual projects under HUD's various programs because the workable program information could be made available for reference and use by all HUD program managers.

OPPORTUNITY FOR HUD TO REDIRECT EXISTING
URBAN RENEWAL PROJECTS TOWARD THE GREATEST
NEEDS OF THE CITIES IN RELATION TO THE
NATIONAL HOUSING GOAL

We believe that HUD has an opportunity to achieve some redirection of the urban renewal program toward residential housing goals through action on existing projects which are oriented toward redevelopment primarily for nonresidential purposes that have been approved by HUD for planning, but have not reached the execution stage, or have reached the execution stage, but have not progressed to the point that significant areas of project land have been committed to redevelopers for redevelopment purposes.

As of December 31, 1968, HUD had approved 417 individual urban renewal projects which were in the planning stage and had not reached the execution stage. HUD had awarded grant funds of about \$1.3 billion for these projects but had not made any disbursements of the funds.

The following table shows a breakdown of the use of the project areas before urban renewal and the proposed use to be made of these areas after urban renewal.

<u>Number of projects</u>	<u>Grant funds awarded (000 omitted)</u>	<u>Primary use (51 percent or more) of project areas before urban renewal</u>	<u>Primary use (51 percent or more) to be made of project areas after urban renewal</u>
45	\$ 116,516	residential	nonresidential
176	618,677	nonresidential	Do.
169	504,875	residential	residential
23	77,807	nonresidential	Do.
<u>4</u>	<u>1,431</u>	open space	Do.
<u>417</u>	<u>\$1,319,306</u>		

The table shows that, as of December 31, 1968:

--Of the 417 projects, 45 are in areas to be converted from primarily residential use to primarily nonresidential use.

--Of the total grant funds awarded, about \$619 million, or about 47 percent, is for 176 projects in areas primarily of a nonresidential character which are to be used primarily for nonresidential purposes after urban renewal.

We believe that HUD should consider reevaluating the first group of projects (45) to determine those areas where it would be appropriate and feasible to change the proposed use of the land to residential uses. We believe also that HUD should consider reevaluating the second group of projects (176) to determine if they are directed toward the greatest needs of the cities, in relation to the national housing goal. We believe that, for projects that do not meet this criteria, HUD should (1) where feasible, reorient the projects toward the greatest needs of the cities or (2) where such action is not feasible, consider withdrawing the grant awards and making the funds available for other projects.

We believe further that HUD should consider reevaluating those projects in the execution stage which are being redeveloped primarily for nonresidential purposes but which have a significant number of acres of land uncommitted for redevelopment to determine whether the land could be used for residential purposes.

National statistics on the number of projects in the execution stage that are oriented toward redevelopment primarily for nonresidential purposes with only a small proportion of the project land actually committed for redevelopment are not readily available from HUD records. However, information obtained on the four cities included in our review indicates that the number of such projects is significant.

Of the 36 projects approved for execution as of June 30, 1968, in the four cities included in our review, 14 had less

than 20 percent of the land actually committed to redevelopers, including 10 projects with no land committed for redevelopment. Of the 10 projects for which no land had been committed for redevelopment, 4 project areas were to be converted from primarily residential use to primarily nonresidential use.

CHAPTER 3

AGENCY COMMENTS AND GAO EVALUATION

In bringing our findings to HUD's attention in September 1969, we proposed to the Secretary of HUD that an improved system be established for allocating Federal funds, under its various programs, to projects which would be responsive to the greatest needs of the cities applying for the assistance in relation to the national housing goal. We proposed also that consideration be given to the use of the workable program as a possible source of the information needed as a basis for allocating funds under the system.

In commenting on our draft report, the Under Secretary of Housing and Urban Development in his letter dated December 23, 1969 (see app. I), informed us that the draft report had served to stimulate HUD's thinking about resource allocation and program evaluation and had made a contribution by pointing out what HUD had increasingly come to realize--namely, that a satisfactory set of objectives and criteria had not as yet been articulated for the urban renewal program to serve as a guide for allocating resources and evaluating overall program accomplishments. He stated that the Department was actively working to devise a satisfactory set of objectives and criteria and a satisfactory resource allocation system.

He informed us also that the workable program was being considered as a data source for the resource allocation system but that HUD was also considering a variety of other programs and activities because it believed there were other mechanisms besides the workable program which might be utilized.

We recognize that the workable program is not the only mechanism which might be considered as a possible information base for a HUD resource allocation system. Therefore we agree that HUD should consider various other programs and activities to determine the best type of information base to be utilized for a resource allocation system.

We believe, however, that HUD needs a resource allocation system that would be applicable to each of its various programs for assisting in accomplishing the national housing goal and, therefore, that HUD's consideration of a system should not be limited, in application, to the urban renewal program.

In commenting on our analysis of the urban renewal program, the Under Secretary informed us that HUD believed the draft report contained certain major weaknesses in its analysis of the program. He stated, however, that, despite these weaknesses, he believed that some of the points concerning the impact of urban renewal on housing could not be easily dismissed and that HUD did not have fully satisfactory answers. He stated further that he was perfectly willing to admit that it was easier for HUD to critique our draft report's statements on renewal objectives, evaluation criteria, and resource allocation systems than it was for HUD to provide its own definitive analysis; that, in other words, it was easier for HUD to question our draft report's conclusion that program resources had been misallocated than it was for HUD to demonstrate that they had not.

The Under Secretary stated that our analysis dealt only with the housing aspect of the program and that, because HUD does not believe that the program could be evaluated against any single criterion, it does not believe that our conclusion—that the program resources had not been effectively allocated--was justified by our analysis. He stated that housing was certainly a goal--an important goal--of urban renewal but that there were other goals to be served such as strengthening the economic base of cities, encouraging the establishment of public facilities, eliminating obsolescent land-use patterns, and providing job and business opportunities.

We recognize that the urban renewal program has goals other than housing. We believe, however, that achievement of these goals should be sought in a manner that does not result in a significant reduction in the housing available for low- and moderate-income families. In each of the four cities included in our review, we found that urban renewal had contributed to a shortage of housing for low- and moderate-income families. We found also that, of the

36 urban renewal projects approved for execution in these cities, 24 were for the redevelopment of the areas for predominantly nonresidential purposes.

Situations such as those noted in the four cities indicate to us that--had the cities' needs, including the need for housing for low- and moderate-income families, been fully assessed and had proposed urban renewal projects been evaluated on the basis of such needs--it is possible that the program funds would have been allocated for projects that would have more effectively accomplished the housing aspect of the national housing goal. It is in this context that we believe that the resources of the urban renewal program could have been more effectively allocated.

Further, we noted that HUD gave implicit recognition to the need for the urban renewal program to be used more effectively in providing housing by taking action in 1967 to require that priority be given to the approval of urban renewal projects for planning which provided for the conservation and expansion of the housing supply for low- and moderate-income families.

With regard to the various goals of the urban renewal program, the Under Secretary informed us that he was frank to admit that HUD did not have a complete answer as to what precisely were the goals of the program and what order of ranking should be given to the individual goals, but that HUD had a priority effort under way to attempt to deal with questions such as these.

In our opinion, the Housing and Urban Development Act of 1968 showed that the primary goal of the urban renewal program was to increase the nation's housing supply. The act stated that the Congress had found that the nation's housing supply was not increasing rapidly enough to meet the national housing goal of realizing a decent home and a suitable living environment for every American family as soon as feasible. The act stated also that the Congress reaffirmed this goal and determined that the production--through both public and private means--of 26 million housing units, including 6 million for low- and moderate-income families, was needed in the next decade.

The Under Secretary informed us that HUD did not believe that our analysis of the urban renewal program established the proper framework for analyzing the housing impact of urban renewal because it failed to consider the unavoidable time lag between demolition and construction; overlooked the fact that the housing demolished was mostly substandard and often vacant; and neglected the rehabilitation of existing housing units in urban renewal areas.

We recognize that there is a time lag between demolition of existing structures in urban renewal project areas and the construction of new units. We believe, however, that this time lag is one of the factors which needs to be considered by HUD in allocating program funds. We believe also that HUD needs to allocate the program funds in such a manner as to minimize the effects of this lag by giving priority to projects which provide housing over those that result in housing reductions, especially in cities which have existing housing shortages.

We recognize also that much of the housing demolished under the program was probably substandard. However, where a housing shortage exists, substandard units may be the only housing units available; and, if these units are demolished without adequate replacement housing being made available, the result may well be overcrowding in other areas of the city. We found no indication that significant numbers of these units were unoccupied prior to the institution of urban renewal.

With respect to the rehabilitation of existing housing, our statistics showing the housing produced under the urban renewal program excluded housing units reportedly upgraded through rehabilitation. The concept of successful rehabilitation involves the upgrading of existing housing within a project area and thereby avoids mass dislocations as occur under projects which demolish housing in the areas. Thus, while the rehabilitation of existing housing is an important part of urban renewal, successful rehabilitation does not provide additional housing units to offset the housing units demolished under urban renewal projects.

Further, as pointed out in our report to the Congress on "Improvements Needed in the Management of the Urban

Renewal Rehabilitation Program" (B-118754, April 25, 1969), the reported accomplishments of the program--an annual average of only about 13,000 dwelling units rehabilitated over the 4.5-year period ended December 31, 1967--were questionable as indicated by inspections of selected properties reported as rehabilitated. These inspections showed that, to varying degrees, (1) 78 percent of the properties inspected did not meet the property rehabilitation standards established by the local public agencies and approved by HUD and (2) 69 percent of the properties inspected did not meet local health and safety standards.

The Under Secretary informed us further that, in HUD's opinion, our analysis rested on the implicit assumption that the housing impact of renewal should be judged only in terms of what happened in the urban renewal project area and that this was a misleading oversimplification. He stated that HUD's housing programs were constantly expanding the supply of housing outside renewal areas and that a number of these programs involved an admission policy that extended priority consideration to persons and families displaced from renewal areas.

As pointed out in this report (see p. 19), from 1949 through June 30, 1968, the number of dwelling units constructed both inside and outside urban renewal project areas for low- and moderate-income families under all HUD housing programs was in excess of the number of units demolished under the urban renewal program. However, we found, as also pointed out in this report, that this had not been achieved on a city-by-city basis. Furthermore, this net increase does not take into consideration the many thousands of demolitions resulting from other HUD programs (such as public housing), and other Federal programs (such as the Federal highway program), and from activities carried out by the communities (such as code enforcement and street and school construction).

As stated on page 19, HUD records indicate that, as of June 30, 1968, urban renewal in 324 cities had resulted in the demolition of a greater number of dwelling units than were constructed in these cities for low- and moderate-income families from 1949 through June 30, 1968, under all HUD housing programs. This was the situation in each of the four cities included in our review.

Thus our examination showed that the housing losses caused by urban renewal in a large number of cities were not offset by housing for low- and moderate-income families provided under other HUD programs at locations outside urban renewal project areas.

In bringing our findings to the attention of HUD, we also proposed that the Secretary, HUD, consider reevaluating existing projects, involving redevelopment primarily for nonresidential purposes, that are in the planning stage or in the execution stage but have significant areas of land uncommitted for redevelopment to determine those areas where it would be appropriate and feasible (1) to change the planned use of the land to a use that would meet the cities' greatest needs in relation to the national housing goal, or (2) for projects in the planning stage where it is not feasible to change the planned use, to withdraw the grant awards.

The Under Secretary did not specifically comment on this proposal in his letter to us.

CHAPTER 4

RECOMMENDATIONS

We recommend that the Secretary of Housing and Urban Development:

- establish an improved system for allocating Federal funds under each of HUD's various programs to those projects that will be responsive to the greatest needs of the cities in relation to the national housing goal;
- consider using the workable program as the information base for such a system; and
- consider reevaluating urban renewal projects involving redevelopment primarily for nonresidential purposes that are in the planning stage or, if in the execution stage, that have significant land areas still uncommitted for redevelopment. Such reevaluation should determine those areas where it would be appropriate and feasible (1) to change the planned use of the land to a use that will meet the cities' greatest needs in relation to the national housing goal or (2) to withdraw the grant awards for projects in the planning stage where it is not feasible to change the planned land use.

CHAPTER 5

SCOPE OF REVIEW

Our review was performed at the HUD central office in Washington, D.C., at HUD regional offices in Atlanta, Georgia; Chicago, Illinois; and Fort Worth, Texas; and at four selected cities within the administrative jurisdiction of these three regional offices. We reviewed:

- the basic laws authorizing the workable program for community improvement requirements and the urban renewal program and the pertinent legislative histories.
- HUD's policies, procedures, and administrative regulations applicable to workable programs and to the urban renewal program, and
- pertinent correspondence, documents, statistical records, and other data.

We also held discussions with appropriate city and HUD officials.

We did not undertake an evaluation of the total workable program activities or an overall evaluation of the success of the urban renewal program in meeting all of its various goals.

APPENDIXES



THE UNDER SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

DEC 23 1969

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

Dear Mr. Hirschhorn:

This letter is to provide you with the Department's comments on the draft GAO report entitled "Opportunity to Improve Allocation of HUD Program Resources to Better Meet the National Housing Goal," forwarded by your letter of September 3 to Secretary Romney. Our comments can be summarized under three major points, as follows:

1. As an evaluation of the urban renewal program, the draft report contains basic conceptual flaws, in our opinion.
2. Despite this weakness, the draft report makes a contribution by pointing out what we have increasingly come to realize--namely, that a satisfactory set of objectives and criteria have not as yet been articulated for the urban renewal program to serve as a guide for allocating resources and evaluating overall program accomplishments. The Department is actively working to devise such specifications and a satisfactory resource allocation system.
3. The use of the Workable Program as the principal instrument for obtaining information from cities, evaluating applications, and allocating resources--as suggested by the draft report--is a thoughtful suggestion but will require careful and extensive examination before its utility is provable. A review of various data sources and their use in the urban renewal resource allocation process is underway.

These summary points are discussed in greater detail below.

1. Evaluating the Urban Renewal Program.

The draft report concludes that "HUD had not effectively allocated its resources in the past." As the basis for this conclusion, the report presents data showing that the urban renewal program "has not only failed

to make a significant contribution toward achievement of the housing aspect of the national goal but . . . contributed to a shortage of housing for low- and moderate-income families . . ."

This analysis and conclusion are based on a number of misconceptions, in our opinion.

First, the analysis ascribes to urban renewal a singleness of purpose--namely housing production--which we do not accept. Housing is certainly a goal--an important goal--of urban renewal, but there are in addition other goals to be served, such as strengthening the economic base of cities, the encouragement of public facilities, the elimination of obsolescent land-use patterns, and the provision of job and business opportunities. It should be pointed out in this context that non-residential redevelopment activities are explicitly permitted in the law. The draft report does recognize this diversity of renewal objectives, but in a manner which tends to obscure the point. More importantly, the analysis of program data, leading to the alleged conclusion that resources have been misallocated, deals only with the housing aspect. Because we do not believe that the program can be evaluated against any single criterion, we do not feel that this conclusion is justified by your analysis.

Second, even if we were to accept housing as the overriding goal of urban renewal, it is our opinion that the draft report does not establish the proper framework for analyzing the housing impact of renewal. The draft report measures the effect on housing strictly in terms of the number of units demolished compared to the number of new units constructed in renewal areas. On this basis, the draft report stated that the program had contributed to the housing shortage because 573,503 dwelling units had been demolished compared to only 124,175 units actually constructed in renewal areas, as of June 30, 1968. We believe that this part of the analysis is deficient in a number of important aspects: it fails to consider the unavoidable time lag between demolition and construction; it neglects the rehabilitation of existing housing units in renewal areas; it overlooks the fact that the demolished housing was mostly substandard and often vacant. But most importantly, this analysis rests on the implicit assumption that the housing impact of renewal should be judged only in terms of what happens in the renewal project area. This is a misleading oversimplification.

Relocation assistance payments and services are available to all displaced from renewal projects to help them secure decent housing. Moreover, HUD's housing programs are constantly expanding the supply of housing outside renewal areas. A number of these programs involve an admission policy that extends priority consideration to persons and families displaced from renewal areas. These programs and policies are intended to compensate for the housing losses experienced in renewal areas, and, at a minimum, the programs' results should be judged on this broader basis. It is true that relocation efforts

have not in the past always been successful--particularly for displacedes who for reasons of income or race must seek housing in a generally restricted and substandard market. The Department is committed to achieving a more effective relocation program.

It is important to recognize that in the 1969 housing legislation, the Congress has established the requirement that the number of units demolished in an urban renewal area be matched by the number of new or rehabilitated standard units provided--but has specified that these units could be anywhere in the same city or county rather than within the renewal project boundaries. A policy of requiring all relocation housing to be provided in the renewal area would serve, in many instances, to perpetuate ghetto patterns. Because of the above deficiencies, we would urge that the draft report be substantially modified.

2. Resource Allocation Criteria.

Although as pointed out above, HUD finds major weaknesses in the draft report's review of the urban renewal program, I am perfectly willing to admit that it is easier for us to critique the report's statements on renewal objectives, evaluation criteria, and resource allocation systems than it is for HUD to provide its own definitive analysis. I do feel that some of the draft report's points concerning the impact of renewal on housing cannot be easily dismissed and that HUD does not have fully satisfactory answers.

In other words, it is easier to question the draft report's conclusions that program resources have been misallocated than it is to demonstrate that they have not. If housing is too narrow a goal, what precisely are the goals and in what order of importance? If activity in the renewal area is too limited a basis for judging performance, what is the proper geographical area to examine and how can performance be measured? Can a resource allocation system be devised to select those projects that will contribute most to the realization of goals and objectives? Should goals and objectives be determined nationally or locally?

I am frank to admit that HUD does not have complete answers to these questions at this time and that past efforts along these lines have not been satisfactory. However, we are convinced of the relevance and importance of such questions, and we have a high priority effort currently underway to attempt to deal with them.

3. Expanded Role for Workable Program.

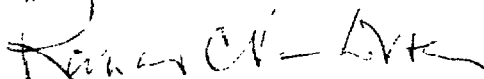
The draft report correctly points out that the Workable Program does not now serve as the information base for a resource allocation system. It was not established or designed to serve this purpose; and we are not sure that it should or could. One feature of the Workable Program in the past was that, by law, it served to certify eligibility for a wide range of HUD programs.

If it had been optimized to serve as the information base for a resource allocation system for a single program, such as urban renewal, it might have lost all relevance for other programs. The 1969 amendments narrowing the range of programs subject to Workable Program requirements, of course, reduce that danger, but nevertheless the Workable Program is not the only mechanism to be considered as a resource allocation information base for urban renewal.

The Department has a variety of programs and activities, in addition to the Workable Program, which provide information on housing and community conditions directly relevant to urban renewal, and we are not certain whether additional information sources will be required in developing a resource allocation system. Present information activities include the 701 Comprehensive Planning Program, which requires each participating planning agency to develop a housing element; the Community Renewal Program; and information contained in the urban renewal application and developed during the survey and planning process. Many of these activities, including Workable Program, are being consolidated under the Assistant Secretary for Metropolitan Planning and Development pursuant to the new Departmental organization. In the course of this change, these information and planning activities are being reviewed with a view to reducing overlap and making more meaningful the relationship between the planning activities and the action programs which follow. Whether or not there is a role for an expanded Workable Program to serve as the information base for an urban renewal resource allocation system will depend on the outcome of this review. We will give consideration to the draft report's recommendation on Workable Program in the course of this review.

As a final comment, I find this draft report which is directed to fundamental questions of program evaluation an interesting change from the traditional audit-type report. Despite our belief that this draft report is deficient and should be substantially modified, it did serve to stimulate our thinking about resource allocation and program evaluation.

Sincerely,


Richard C. Van Dusen

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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, DEPARTMENT 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 METROPOLITAN PLANNING AND DEVELOPMENT:		
Samuel C. Jackson	Feb. 1970	Present
ASSISTANT SECRETARY FOR RENEWAL AND HOUSING ASSISTANCE:		
Don Hummel	July 1966	Feb. 1969
Howard J. Wharton (acting)	Feb. 1969	Mar. 1969
Lawrence M. Cox	Mar. 1969	Feb. 1970