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Weaknesses In Planning And Managing A Housing Code Enforcement Project In St. Louis B-167655

Department of Housing and
Urban Development

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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JUNE 3, 1971



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

B-167655

Dear Mr. Clay:

This is our report on weaknesses in planning and managing a housing code enforcement project in St. Louis, Missouri. This project was carried out under the code enforcement program administered by the Department of Housing and Urban Development. This examination was made pursuant to your request.

Copies of this report are being sent to the Secretary of Housing and Urban Development and to the Mayor of St. Louis.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

The Honorable William L. Clay
House of Representatives

COMPTROLLER GENERAL'S REPORT TO
THE HONORABLE WILLIAM L. CLAY
HOUSE OF REPRESENTATIVES

WEAKNESSES IN PLANNING AND MANAGING
A HOUSING CODE ENFORCEMENT PROJECT
IN ST. LOUIS
Department of Housing and Urban
Development B-167655

D I G E S T

WHY THE REVIEW WAS MADE

23
Congressman William L. Clay requested the General Accounting Office (GAO) to review particular aspects of a housing code enforcement project in St. Louis, Missouri.

The project, which included three primarily residential areas, was designed to bring all properties into compliance with the city housing code within 3 years. The city's project was approved by the Department of Housing and Urban Development (HUD) in February 1967, and a grant contract of \$1,986,095 was awarded in April 1967 and was increased to \$2,258,095 in June 1969.

The Congressman suggested that GAO determine whether

- there was a comprehensive plan for rehabilitation,
- HUD and city officials were adhering to predetermined policy,
- HUD was fulfilling its responsibilities to ensure that the city kept its commitments and adopted procedures to protect residents from unscrupulous contractors,
- minimum housing standards had been applied equitably to the property of both resident and nonresident owners, and
- HUD had attempted to determine the truth about rumors of kickbacks from contractors to city inspectors.

The Congressman also provided GAO with information on five cases in which residents complained of difficulties they experienced under the project.

FINDINGS AND CONCLUSIONS

Planning and approval of the project

The city selected the project areas, and HUD approved them, largely on the basis of an automobile drive through them, sometimes referred

to as a windshield inspection; the 1960 census data on family income; and a city report on a 1953 study of housing conditions which showed at that time over 50 percent of the properties in the area needed major repairs.

Neither the city nor HUD inspected the interiors of any properties before approval of the areas and award of the Federal grant. (See pp. 8 and 9.)

As a result of the lack of an adequate survey of the areas, the city failed to meet project goals (see p. 13) and encountered such problems as

- extensive deterioration of many properties in the areas;
- inability of many property owners, because of their low economic status, to get loans to pay for repairs and improvements;
- difficulties in hiring and retaining personnel qualified to carry out project activities; and
- difficulties in obtaining contractors to work in the project areas. (See pp. 10 to 12.)

Departures from instructions

HUD did not check on the project regularly and thoroughly enough and thus did not learn of problems that might have been resolved on a timely basis. For example, HUD Central Office instructions required regional representatives to visit the project areas and to obtain detailed information on progress at least every 3 months; those visits were not made. (See p. 24.)

Unkept commitments

Many property owners were not given the opportunity, as promised by the city, to take part in the selection of contractors to work on their properties. The city's building commissioner stated that he decided to restrict the work to some of the large contractors to speed up the work. Written procedures recently put into effect by the city, however, provide for participation by property owners in contractor selection. (See p. 37.)

Although the grant contract stipulated that an architect be hired to advise property owners, the city had not hired one. The city determined that the services of an architect were not needed. A HUD official stated that, in his opinion, the lack of an architect on the project staff had no detrimental effect on the project. (See p. 36.)

City inspections generally were not adequate to be sure that contract work on residents' properties had been performed satisfactorily. (See p. 28.) On the basis of HUD test inspections, it is questionable whether many properties certified by city inspectors as complying with the housing code actually had been brought into compliance. (See pp. 25 and 26.)

Application of standards to property

GAO's review disclosed no evidence that housing codes had been inequitably applied to properties of either resident or nonresident owners. (See p. 16.)

Alleged kickbacks

Rumors published in St. Louis newspapers regarding alleged kickbacks from contractors to city inspectors were not substantiated by a HUD investigation. (See p. 26.)

Residents' complaints

GAO does not disagree with the city's judgment that, of the five cases of residents' complaints reported to Congressman Clay, three were unjustified. GAO's review, however, substantiated most of the facts on which the complaints were based. (See p. 40 and pp. 28 to 33.)

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ABBREVIATIONS

FHA	Federal Housing Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development

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CHAPTER 1

INTRODUCTION

Section 117 of the Housing Act of 1949, as amended (42 U.S.C. 1468), authorized HUD to make grants to cities, other municipalities, and counties for the purpose of assisting these local governments in administering concentrated code enforcement programs in deteriorating areas. The program is expected to arrest the spread of blight before more extensive urban renewal involving major rehabilitation or clearance becomes necessary. A minimum of property acquisition and demolition and of dislocation of residents is intended under the program.

Federal grants to a local government for a code enforcement project may not exceed two thirds¹ of the costs of planning and administering a project. The local government must provide funds for the remaining costs.

Code enforcement project expenditures include the costs of (1) organizing, programming, scheduling, coordinating, and supervising code compliance activities, (2) making property inspections, reinspections, and valuations, (3) holding administrative and appeals board hearings, (4) demolishing unsound structures, (5) providing relocation assistance to displaced families, individuals, and businesses, (6) advising and assisting property owners and tenants in the preparation of applications for obtaining direct Federal rehabilitation grants and loans, and (7) providing or repairing public improvements, such as streets, curbs, sidewalks, street lighting, and tree planting.

Section 312 of the Housing Act of 1964, as amended (42 U.S.C. 1452b), authorized HUD to make loans to owners and tenants of property situated in a concentrated code enforcement project area for the rehabilitation of such property. Generally such loans may not exceed \$12,000 for each dwelling unit; however, in high-cost areas, the limit is \$17,400.

¹Three fourths for any locality having a population of 50,000 or less.

Section 115 of the Housing Act of 1949 (42 U.S.C. 1466), as amended by the Housing and Urban Development Act of 1965 (79 Stat. 457), authorized HUD to make grants, not to exceed \$1,500, to a person who owns and occupies property situated in concentrated code enforcement project areas for the rehabilitation of such property to meet applicable codes. The limitation on the amount of a grant was raised to \$3,000 and to \$3,500, respectively, by the Housing and Urban Development Acts of 1968 (82 Stat. 476) and 1969 (83 Stat. 379).

Section 114 of the Housing Act of 1949, as amended (42 U.S.C. 1465), authorized HUD to make relocation grants to local public agencies to reimburse them for payments made to individuals, families, and businesses for expenses incurred in relocating as a result of a code enforcement project.

The city is responsible under the grant contract for inspecting all properties in the code enforcement project and for working with the property owners to have all code violations corrected. The city is required by the grant contract to offer assistance to the property owners in obtaining contractors to correct code violations and in obtaining Federal rehabilitation loans and grants if the property owners desire, and are eligible for, such Federal financial assistance.

In March 1966 the city of St. Louis submitted to the HUD Regional Office, Fort Worth, Texas (Region V), an application for a Federal grant for a code enforcement project covering four areas of the city. One of the areas was deleted from the proposed project because of its high percentage of nonresidential buildings and the following three areas were left.

<u>Project areas</u>	<u>Population</u>	<u>Acreage</u>	<u>Properties</u>	<u>Dwelling units</u>
Academy North	5,706	124.9	807	1,466
Academy South	6,480	143.4	805	1,588
O'Fallon South	<u>3,678</u>	<u>106.1</u>	<u>745</u>	<u>1,230</u>
Total	<u>15,864</u>	<u>374.4</u>	<u>2,357</u>	<u>4,284</u>

In its application the city estimated that 2,018, or 86 percent, of the properties and 3,012, or 70 percent, of the dwelling units in the three project areas had code violations and that the project cost would amount to \$2,017,342. The application showed that the city would pay one third of the costs, or \$672,447, and that Federal funds would be needed to finance the remaining two thirds of the costs, or \$1,344,895. In addition, the city estimated that additional Federal funds totaling \$641,200 would be needed--\$313,200 for relocation payments and \$328,000 for rehabilitation grants.

In February 1967 the HUD Central Office approved the project and in April awarded a grant contract of \$1,986,095. In June 1969, HUD approved an increase of \$272,000 in the grant to provide additional funds for rehabilitation grants. This increase raised the Federal grant to \$2,258,095 which comprised \$1,344,895 for two-thirds share of the estimated project costs and \$313,200 and \$600,000 for 100 percent of the relocation payments and rehabilitation cost, respectively.

Congressman William L. Clay requested that we review the code enforcement project and suggested that our review include consideration of whether

- there is a comprehensive plan for the total rehabilitation of the affected areas,
- HUD and city officials responsible for administering the project are adhering to predetermined policy,
- there is equitable application of the minimum housing standards to the property of resident and nonresident owners,
- HUD is fulfilling its responsibilities to ensure that commitments made by the city under the project are being fulfilled,
- the city had adopted regulations which would protect the residents from unscrupulous contractors and unreasonable contracts, and

--HUD had attempted to determine whether there was any reasonable support for rumors of kickbacks from contractors to city inspectors.

To aid us in our review, the Congressman furnished us with summaries of certain complaints that he had received from residents of the project area.

Our comments on the questions raised by the Congressman, and on other matters which we believe are pertinent to his request, are contained in the following chapters of this report.

CHAPTER 2

PLAN FOR REHABILITATING PROJECT AREAS

The objective of the code enforcement grant contract entered into by HUD and the city of St. Louis was to rehabilitate the project areas. The grant contract provided for following the city's plan for carrying out the project. The city's plan provided that the city

- inspect all properties in the project areas within 5 months after approval of the project and bring these properties into code compliance within 3 years,
- provide certain public improvements,
- maintain each year during the period of the contract the prior level of expenditures for code enforcement activities, and
- complete the project within budgeted costs.

The city selected and HUD approved the areas for inclusion in the project largely on the basis of an automobile drive through the area, the 1960 census data on family income of project residents, and a city report on a 1953 study of housing conditions which showed that in 1953 over 50 percent of the properties in the project areas needed major repairs. The city's grant application showed that an estimated 86 percent of the properties in the project areas had code violations.

City officials told us that they had not made inspections of the interiors of any of the properties in the project areas prior to submitting the application. One of the city officials stated that members of the Mayor's Housing Rehabilitation Coordinating Committee selected the project areas largely on the basis of information obtained by driving through the areas and by reference to the 1953 housing report.

Our review of HUD's Region V records showed, and our discussions with various HUD officials confirmed that HUD's evaluation of the proposed project had, for the most part,

been limited to a desk review of the application. According to HUD regional officials, the desk review had been made in accordance with HUD policy to determine whether the city's application complied with HUD regulations. HUD's Region V Assistant Regional Administrator for Renewal Assistance, who is responsible for administering the code enforcement program, advised us that the region's physical inspection of the proposed project had been limited to a windshield inspection of the areas.

HUD's Region V Federal Housing Administration (FHA) officials in St. Louis told us that they had also made a windshield inspection of the areas for the purpose of determining whether FHA would insure loans for residences in the areas if requested to do so. These officials also stated that their inspection had been made to determine whether at least 90 to 95 percent of the properties in the areas were residential and whether public facilities were available in the areas. As a result of their inspection and recommendation, only one area (Lindell North) was deleted from the proposed code enforcement project. This area was deleted because of its high percentage of nonresidential buildings. These officials said that they had not inspected the interiors of any of the properties in the project areas.

ADMINISTRATION OF THE CODE ENFORCEMENT PROJECT

A HUD code specialist indicated in a trip report in July 1967, 5 months after the approval of the project, that, because of a shortage of personnel, the city would have to make a diligent effort to complete the project within the 3-year limit required by the grant contract.

City officials informed us that consideration of staffing problems 5 months after the project was approved was not a fair analysis because the plan for carrying out the project did not provide lead time for obtaining the necessary staff and because experience with code enforcement projects in many cities had shown that the first 6 months of a project was generally required to gear up to administer the project.

In July 1969 the city requested HUD to extend the project completion date from February 25, 1970, to November 25, 1970. HUD did not grant this extension but, after reviewing the project, in December 1969 conditionally extended the completion date to June 30, 1970. (See p. 34.)

Some of the major problems encountered by the city in administering the project which apparently forced the city to request the extension were (1) extensive deterioration of many of the properties in the project areas, (2) low economic status of many of the property owners which prevented them from obtaining loans in the amounts needed to finance the cost of necessary repairs and improvements to bring their properties into code compliance, (3) difficulties in hiring and retaining personnel qualified to carry out project activities, and (4) difficulties in obtaining contractors to work in the project areas.

Extensive deterioration of properties

We believe that (1) the city's estimate that 86 percent of the properties in the project areas had code violations and (2) the 1953 report on housing conditions indicated that, because of extensive deterioration, the areas were not suitable for rehabilitation under the code enforcement program.

Furthermore, the city's semiannual progress report for the period ended December 31, 1969, showed that 94 percent of the 2,260 properties inspected had code violations. City officials advised us that, had they known the degree of deterioration of the properties in two of the three project areas at the time the city submitted its application, these areas probably would not have been selected for the code enforcement project. The city officials stated that they had not had the time or funds necessary to make an adequate survey of the areas before submitting the grant application.

Low economic status of property owners

In many cases the Federal grants available to individual property owners were adequate to correct only some of the code violations. In some cases Federal rehabilitation loans needed to bring properties into code compliance were

not available because property owners did not have adequate income to repay the loans.

About 2 years after the code enforcement project was started, HUD determined that this was one of the reasons the objective of the project was not being attained. City officials have told us that they now realize that the low income of the residents of the project areas created problems in accomplishing rehabilitation of the areas.

Difficulties in employing personnel

From inception of the project, the city encountered difficulties in hiring and retaining experienced and qualified personnel to carry out certain project activities--such as developing work specifications and processing loan and grant applications.

City officials stated that many of their difficulties in employing personnel resulted because the necessary experienced personnel were not available to be hired. They stated also that the city lacked knowledgeable personnel to train its employees and that assistance from HUD in this regard was limited to seminars and general meetings which were of negligible value.

To help overcome these problems, city officials (1) realigned staff functions in September 1969, (2) appointed a new project director to administer the code enforcement program, and (3) hired a person experienced in processing loan applications and a person experienced in developing contract work specifications. The specification specialist resigned, however, and this position was vacant as of September 29, 1970.

Difficulties in contracting for project work

The city awards all contracts for the rehabilitation of properties for which owners obtain Federal grants or loans. City officials told us that they had difficulty in finding contractors that were capable and willing to work in the project areas. They said that many contractors who were capable of doing the work were unwilling to bid on such relatively small jobs and that many contractors were

unwilling to work in the project areas because of their concern for the safety of their employees, the theft of tools, and the damage to equipment. A city official told us that, because the contractors did not want their names disclosed, he would not give us the names of these contractors.

The city's project records generally included only the bid from the contractors that had been awarded contracts. We found no evidence as to whether more than one bid had been solicited or received or how it had been determined that the bids accepted were reasonable. City officials have pointed out that HUD regulations clearly indicate that formal bidding is not necessary for contracts of less than \$10,000 and that such contracts may be negotiated with one or more prospective bidders.

In September 1969 the city established a list of eligible contractors (at the time of our fieldwork there were nine contractors on this list) and procedures for selecting contractors. The procedures provided for a property owner to select three contractors from the approved list for bids to be requested from the three contractors, and for the selection of the contractor that submitted the lowest bid. Also, the procedures provided that a property owner may select a specific contractor if his request and the reason for his selection is submitted to the city in writing and approved by the city. In such cases competitive bids are not solicited, but the specific contractor's bid must approximate a cost estimate prepared by the city's project staff.

Largely because of the four problems discussed above, the city was unable to accomplish its objective of rehabilitating the project areas. The city's attempts to rehabilitate the project areas are discussed below.

PROPERTIES INSPECTED AND
BROUGHT INTO CODE COMPLIANCE

The city's plan for administering the project provided that the city complete initial inspections of all properties in the project areas within 5 months after project approval and bring all properties into code compliance during the 3-year project contract period. The city did not achieve either of these goals.

None of the 2,357 properties in the project areas were inspected within the required 5-month period. Progress in making inspections of the 2,357 properties, according to the city's progress reports, is shown below for the first 32 months after project approval.

<u>Months from approval of the project</u>	<u>Properties inspected</u>	
	<u>Cumulative</u>	<u>Percent</u>
5	-	-
7	492	21
8	771	33
14	1,859	79
20	2,211	94
26	2,255	96
32	2,260	96

As of March 31, 1970, 37 months after approval of the project, 66 properties still had not been inspected. The reasons for not completing the inspections, according to project records and discussions with city officials, are summarized below.

Access to premises refused:	
Resident owners	60
Nonresident owners	3
Inspections pending	<u>3</u>
Total	<u>66</u>

A project progress report shows that as of December 31, 1969, only 1,326 or 56 percent, of the properties in the project areas were in code compliance. Moreover, these percentages may be overstated since, as discussed on pages 25 and 26, none of the 25 properties inspected by HUD's internal

auditors were in code compliance even though, in most instances, the city had certified that they were in code compliance.

City officials have informed us that they now recognize that the original plan to complete all initial inspections within 5 months was an error in judgment. These officials stated that their experience had shown that inspections should not precede the processing of loans and grants by more than 30 days. These officials further explained that, even though the initial inspections were not completed within 5 months, as specified in the city's plan for administering the project, the inspections were still made too early for the overall program.

PROVISION OF PUBLIC IMPROVEMENTS

The city's original project budget, as approved by HUD, included \$644,600 for public improvements--tree planting, street lighting, street paving, curbs, and alley work. Project records showed that at March 31, 1970, \$395,195 had been encumbered for these public improvements. According to city officials, actual public improvement costs will be at least \$100,000 less than the budgeted amount due primarily to an overestimation of street lighting costs included in the project budget.

MAINTENANCE OF REQUIRED LEVEL OF EXPENDITURES

The city's plan for administering the project cited the following requirement regarding the level of expenditures for code enforcement activities.

"That during the period of the contract for the code enforcement grant the City of Saint Louis will maintain a level of expenditures for code enforcement activities, exclusive of expenditures in any Federally assisted code enforcement or Title I urban renewal project areas, that is not less than the average yearly expenditure for such activities throughout the locality for the two full fiscal years immediately preceding the filing of the application."

The city's accounting records show that the city is maintaining the required level of code enforcement expenditures. The city's average annual expenditure for code enforcement for the 2 years preceding the filing of the application was about \$900,000, and the average annual expenditure for the first 3 years after filing the application was about \$1,200,000.

COMPLETION OF PROGRAM WITHIN BUDGETED COSTS

The city's latest revised budget, as approved by HUD, and the city's reported expenditures as of March 31, 1970, for project activities showed that project expenditures had not exceeded the approved budget. Approved budgeted amounts and related expenditures were as follows:

<u>Project activities</u>	<u>Budgeted amount</u>	<u>Expenditures incurred through March 31, 1970</u>
Administrative costs	\$ 246,135	\$ 215,540
Legal costs	110,000	49,855
Operations costs	672,239	609,432
Net demolition costs	61,000	23,885
Public improvements	609,600	395,195
Special services	187,018	94,220
Contingencies	117,200	-
Project inspection costs	<u>14,150</u>	<u>11,418</u>
Total	<u>2,017,342</u>	<u>1,399,545</u>
Rehabilitation grants	600,000	339,479
Relocation payments	<u>313,200</u>	<u>218</u>
Total costs	<u>\$2,930,542</u>	<u>\$1,739,242</u>

CHAPTER 3

APPLICATION OF HOUSING CODES

TO PROPERTIES OF RESIDENT AND NONRESIDENT OWNERS

A representative of the Union-Sarah Gateway Center¹ advised us that several complaints had been received by that organization from residents in the project that during initial inspections the city inspectors had given priority to the inspection of properties of resident owners and had been more strict in applying the codes to properties of resident owners than to nonresident owners. The representative told us that she could not document these complaints, and project officials told us that they had not been aware of such complaints.

The city's procedures provide for equitable application of the minimum housing standards to resident and nonresident owners through (1) initial selection of properties to be inspected without regard to ownership, (2) applying equal standards during initial and final inspections, (3) allowing property owners equal opportunity to achieve code compliance, and (4) applying enforcement measures equitably. Our examination of the implementation of these procedures did not reveal any evidence that resident or nonresident owners were discriminated against.

SELECTION OF BUILDINGS FOR INITIAL INSPECTIONS

The city's plan for administering the code enforcement project required systematic inspection of all the properties in the project--building by building, block by block. The city's inspection procedures contained the same requirement for all neighborhood rehabilitation programs.

¹Union-Sarah Gateway Center is one of several neighborhood service centers operated under a community action program financed by the Office of Economic Opportunity. The center serves an area which includes the Academy North and South areas of the code enforcement project.

Our examination of project files showed, and our discussions with project personnel confirmed, that the procedures used to select properties for initial inspection had been to divide the three areas of the project into two-block segments and to assign each segment to an inspector. The inspectors were allowed to select any starting point within their assigned segments, but, once started, inspections were to be made in sequence by location and all initial inspections were to be completed within 5 months. City officials have said that they now recognize that the plan to complete inspections in 5 months was an error in judgment. (See p. 14.)

Our examination into the application of the city's inspection procedures for 3 blocks of the project showed that the sequence of inspections of the 69 properties, 22 of which were owned by nonresidents, frequently did not conform to the sequence of property locations.

Inspectors in each of the three project areas told us that they had been unable to inspect each property in sequence primarily because residents either had not been home or had refused to allow them to enter. They told us that multifamily properties had also been a problem because the inspection had to cover all units in the properties. The inspectors stated that, when access to a building or unit could not be gained, they would go to the next property in sequence and would return later to the units or properties that had not been inspected.

Project inspection records showed the dates the inspection was completed but not the dates of unsuccessful attempts to inspect a unit or a property. We found inspection reports on five multifamily dwellings, however, which showed that the inspections of all the dwelling units in a property were not completed for as long as 3 months after inspections of the dwelling units in the property were begun.

As shown in the following table, for most of the 69 properties included in our examination, inspections were completed within 5 months after they were started in the segments. Inspections of non-resident-owned properties,

however, were not completed on as timely a basis as were inspections of resident-owned properties.

	<u>Resident owned</u>		<u>Nonresident owned</u>		<u>Total</u>	
	<u>Num-ber</u>	<u>Per-cent</u>	<u>Num-ber</u>	<u>Per-cent</u>	<u>Num-ber</u>	<u>Per-cent</u>
Properties inspected, cumulative:						
1st month	8	17	1	5	9	13
2d month	25	53	7	32	32	46
3d month	30	64	12	55	42	61
4th month	37	79	17	77	54	78
5th month	46	98	18	82	64	93
After 5th month	47	100	22	100	69	100

The above table shows that the percentage of the 47 resident-owned properties inspected at the end of each of the 5 months was higher than the percentage of the 22 non-resident-owned properties inspected at the end of each of the 5 months. Initial inspections of resident-owned properties were completed the seventh month after the inspections were started, whereas inspections of non-resident-owned properties were not completed until the 13th month after the inspections were started.

APPLICATION OF CODE REQUIREMENTS
IN INITIAL INSPECTIONS

To test the application of code requirements in the city's initial inspections, we selected at random 181 residential properties from the 2,255 properties which had been inspected as of December 9, 1969. The inspection results by type of ownership and code violation are shown below.

	<u>Total</u>	<u>Ownership</u>	
		<u>Resident</u>	<u>Nonresident</u>
Properties in sample:			
Without code violations	11	8	3
With code violations	<u>170</u>	<u>125</u>	<u>45</u>
Total	<u>181</u>	<u>133</u>	<u>48</u>
Types of violations:			
Plumbing	552	335	217
Electrical	364	239	125
Structural	1,482	987	495
Zoning	11	5	6
Sanitation and rat control (note a)	<u>55</u>	<u>38</u>	<u>17</u>
Number of code violations	<u>2,464</u>	<u>1,604</u>	<u>860</u>
Average number of violations for each property with violations	14	13	19

^a Enforcement of ordinances pertaining to sanitation and rat control is not the responsibility of the code enforcement project. Violations involving these ordinances are referred to the Sanitation and Rat Control Section, Health Division. The city had a separate federally funded program to eliminate rats in the project areas and other areas of St. Louis.

As shown, the average number of code violations reported for non-resident-owned properties exceeded that reported for resident-owned properties.

ENFORCEMENT OF CODE REQUIREMENTS

To determine whether property owners were given sufficient time to voluntarily correct code violations and whether enforcement measures were applied impartially by the city, we examined into the procedures followed by the city and reviewed the project records on cases on which court action had been taken by the city.

Information in the city's files applicable to the 181 properties included in our sample indicated that the city had impartially applied its procedures and showed that court action had been taken against the owners of 15 of the 181 properties. There was a wide variance in the amount of time that elapsed between the dates of inspections and the dates court action was brought by the city against the 15 property owners--from 7 to 25 months for resident owners and from 4 to 17 months for nonresident owners. City officials stated that this variance had resulted because each case must be dealt with on an individual basis.

We also reviewed available project records of all cases on which court action had been taken by the city as of December 9, 1969. A summary of the status of these cases, by categories as shown in project records, follows.

	<u>Resident owner</u>		<u>Nonresident owner</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Categories:				
Defendant not located	6	7.1	14	9.7
Case dismissed	14	16.7	16	11.0
Defendant placed on probation	17	20.2	23	15.9
Case pending trial	10	12.0	36	24.8
Case settled	<u>37</u>	<u>44.0</u>	<u>56</u>	<u>38.6</u>
Total cases filed	<u>84</u>	<u>100.0</u>	<u>145</u>	<u>100.0</u>

The average time allowed for correction of code violations before court action was taken by the city on these cases was 14.4 months for resident owners and 13.1 months

for nonresident owners. Our analysis of data for 73 of the 93 court cases classified as settled by the city showed that 26 resident owners and 47 nonresident owners had been fined from \$5 to \$10, plus court costs. Although the property owners had been fined and the court cases had been settled, not all the properties had been certified as being in compliance with the codes.

HUD regulations required that the city certify that properties had been brought into code compliance. Our analysis of the project records for the 93 cases classified as settled showed that the city had certified code compliance for only 58 of the properties. The following table summarizes the status of certification of code compliance of these 93 settled court cases.

	Resident owner		Nonresident owner		Totals	
	Number	Percent	Number	Percent	Number	Percent
Code compliance certified	32	86	26	46	58	62
Code compliance not certified	<u>5</u>	<u>14</u>	<u>30</u>	<u>54</u>	<u>35</u>	<u>38</u>
Total settled court cases	<u>37</u>	<u>100</u>	<u>56</u>	<u>100</u>	<u>93</u>	<u>100</u>

We did not ascertain the status of code compliance for the 35 properties for which the city had not certified code compliance.

The city's project officials advised us that they had not established any standard time limits for property owners to comply with the codes, that the intent was to bring all properties into compliance during the 3-year period of the project through persuasion rather than force, and that court action was taken only as a last resort. Even in court action, it was intended that the action be a persuasive device and that heavy fines not be imposed.

In commenting on our draft report, the city told us that court action was instituted only after all other means of persuasion and cooperation had failed and that, if a property owner agreed to correct the violations at the direction of the court, the city would be obligated to report to the court the progress being made by the property owner. The city also stated that, if in the court's discretion the major code violations were corrected and only minor code violations remained, the court may dismiss the case. The

city stated further that, as of September 17, 1970, all court cases either had been settled, with the properties brought into code compliance, or had been dismissed.

STANDARD APPLIED IN FINAL INSPECTIONS

HUD regulations incorporated into the grant contract required the city to make interim and final inspections of all rehabilitation work accomplished under a rehabilitation grant or loan to determine whether the work was progressing satisfactorily and was completed in accordance with the construction contracts. Also, the regulations required that the city make a follow-up call on these property owners within 60 days after final inspections to determine whether there were any complaints regarding the work and, if so, to help the owners obtain corrective action by the contractors.

We found no evidence in the city's project records that any of the required interim inspections, or the 60-day follow-up calls, had been made. Also, the project director told us that none of these inspections or follow-up calls had been made. He stated that follow-up calls generally were limited to those made as a result of complaints from property owners. Supervisory inspectors said that they had periodically made tests of the inspection work done by their staff but had not maintained a record of these tests.

As a result of a HUD special investigation which included inspection of 25 properties (see pp. 25 and 26), the city assigned inspectors not connected with the code enforcement project to reinspect 132 project properties for which the rehabilitation had been completed and which had involved HUD grants or loans, including 23 of the 25 properties which the HUD inspection had shown to be not in code compliance. As indicated in the following table, the city's reinspections showed that 81 of the 132 properties were not in compliance with the codes.

<u>Properties</u>	<u>Number inspected</u>	<u>Compliance with codes</u>	
		<u>Yes</u>	<u>No</u>
Resident owned	128	49	79
Nonresident owned	<u>4</u>	<u>2</u>	<u>2</u>
Total	<u>132</u>	<u>51</u>	<u>81</u>

The city's reinspection of the 23 properties which HUD had found to be not in code compliance showed that 19 of the 23 still did not meet code requirements. As shown above, the reinspections involved primarily resident-owned properties.

At the time of our review, the city was engaged in efforts to correct the code violations of the 81 properties which did not meet code requirements. For code violations which were to have been corrected under contracts that had been awarded to contractors, city inspectors told us that most of the contractors had agreed to complete the required work and that in many cases it had been completed. For code violations not covered under contracts, owners had been notified to correct the additional violations. City inspectors told us that many of these additional violations were the result of inadequate initial inspections and incomplete work specifications.

In commenting on our draft report, the city stated that certain of the additional violations had resulted because of the time lapse between its initial inspections and its development of work specifications and that certain violations had been overlooked in order to tailor the contracts to the available Federal financing in the belief that doing something rather than doing nothing was better for the neighborhood and for the indigent property owners.

CHAPTER 4

MONITORING OF THE PROJECT BY HUD

In our opinion, HUD has not adequately monitored the project to ensure that the city has performed in accordance with its commitment under the program. Had HUD monitored the project more closely, problems which the city had in administering the project might have been identified and resolved on a timely basis.

On the basis of our review of applicable Federal regulations and discussions with agency officials, we believe that the responsibilities of HUD in connection with the operation of a code enforcement project have been limited to monitoring project operations to ensure conformance with the approved plans for rehabilitating the project areas. Central Office instructions to HUD regional office representatives, which were in effect at the time the St. Louis project was approved, required regional representatives to obtain detailed information on project operations through site visits at least every 3 months.

During these site visits, the regional office representatives were to inspect at least 10 percent of the properties which the city reported during each 3-month period as having been brought into compliance with city codes. The grant contract required the city to submit detailed progress reports every 6 months, to HUD, which HUD could use in monitoring project activities.

Our review of HUD's Region V records showed, and our discussions with HUD's Region V officials confirmed, that HUD regional office representatives had not made these required inspections of the St. Louis project. HUD's monitoring of the project appeared to consist primarily of 20 brief visits to the city, between March 1967 and March 1969, by Region V personnel. Only seven of these visits were made by code enforcement specialists. Generally these 20 visits were of a 1-day duration and were not directed toward obtaining the information on the code enforcement project although required by HUD instructions. Reports of these visits indicated that the city (1) had a backlog of loan applications

and (2) had been unable to hire qualified individuals to carry out project operations. We found no conclusive evidence in HUD files that action had been taken by HUD officials to correct these problems.

The Assistant Regional Administrator for Renewal Assistance, Region V, could not explain why the site representatives had not followed the Central Office instructions requiring the site visits and inspections. HUD Washington officials said that they did not know whether the regional offices had complied with these instructions. The Assistant Regional Administrator stated further that irregularities regarding the project that were reported in the St. Louis newspapers in June 1969 had not been disclosed by his staff. He expressed the opinion that regional office representatives apparently had not properly monitored the St. Louis project.

On January 26, 1970, the Director of the Field Services Division for Region V issued to HUD regional office representatives a memorandum which stated specific responsibilities and procedures for monitoring and reporting on rehabilitation projects. These procedures cover the routine inspection of all phases of planning and execution activities, the identification of problems, and the assistance in solving these problems and require the regional office representatives to inspect at least 10 percent of the properties reported by the local public body as having been brought into code compliance during each quarter.

SPECIAL INVESTIGATION AND AUDIT
OF PROJECT ACTIVITIES MADE BY HUD

After the charges of irregularities in the project were publicized in St. Louis newspapers, HUD representatives from the Office of Investigation, the Office of Renewal Assistance, and the Office of Audit made a special investigation during June, July, and August 1969.

An audit report issued in October 1969 contained the findings of both the Office of Renewal Assistance and the Office of Audit. Some of the findings were that:

1. Objectives of the program were not attained--of 25 rehabilitated properties inspected, none met the

codes even though in most instances the city had certified that they did conform.

2. Initial and final inspections made by city inspectors were inadequate.
3. Contractors' rehabilitation work was inferior and incomplete.
4. The entire project was poorly managed by the city.
5. Work specifications were inadequate and apparently were tailored to fit the financial capabilities of the owners rather than to correct code violations.
6. Grant funds were used for ineligible work.
7. Deficiencies in the city's loan processing activities--including inadequate verification of applicants' incomes and improper method of increasing grants--had resulted in the approval of loans to ineligible applicants.

The Office of Investigation examined into complaints and charges of irregularities and into the charge of kickbacks by contractors to city officials and employees as well as rumors of a gift of a fur coat to a public official.

The examination included interviews with more than 50 people and inspection of the endorsements on certain canceled checks.

The Office of Investigation report dated September 23, 1969, stated that the charges of kickbacks and a gift of a fur coat had not been substantiated; however, the following complaints and charges had been verified.

"Complaints of slipshod work by contractors rehabilitating properties in the designated code enforcement areas confirmed by code specialists of Renewal Assistance Office, who also found that specifications prepared by the City for rehabilitation work did not meet the City's Minimum Housing Standards ordinances."

"Allegations that homeowners had no choice in selection of contractors verified."

As a result of its special investigation, HUD, by letter dated July 31, 1969, suspended the city's authority to approve rehabilitation grants. HUD also notified the city that it would take no further approval action on pending rehabilitation loans. In December 1969 this authority was restored subject to certain assurances to be given by the city. (See p. 34.)

PROTECTION OF INTEREST OF AREA RESIDENTS
IN DEALING WITH CONTRACTORS

The city's procedures provided that the following actions be taken to protect the interests of project area residents in dealing with contractors: (1) inspecting residents' homes to determine work to be done to meet code standards, (2) preparing contract work specifications, (3) providing help to area residents in selecting contractors, (4) inspecting homes to determine whether work required by the contract specifications was performed, and (5) obtaining releases of liens which contractors placed against properties as security for payment for work performed.

In our opinion, however, the city did not adequately implement these procedures. As discussed on pages 25 to 27, HUD found that inspections by city inspectors had been inadequate, that residents had not participated in selection of contractors, and that in many cases the repair work on houses of resident owners had not been performed in accordance with contract specifications although a certificate of final inspection had been issued by the city.

Our tests showed that inspections performed by city inspectors generally had not been adequate to protect the interests of the property owners by assuring that all contract work had been performed satisfactorily.

The Congressman, in requesting our review, furnished us with information on five cases in which residents of the project area complained about the code enforcement project. Four of these cases involved complaints about contractors' work. We were able to talk with only three of the five residents to obtain additional information regarding the complaints. The following comments pertain to these complaints.

Case number 1--5090 Ridge Avenue

The resident complained that (1) water leaked into the living room and the bathroom when it rained, (2) a wooden fire escape was slippery when wet, (3) a door was promised but had not been built, and (4) she was not receiving receipts for payments on her loan.

HUD's inspection of this property after city officials had certified that it was in compliance with the codes disclosed 20 code violations. Eight of these code violations would have been corrected had the contractor complied with contract specifications. For example, the contract required the removal of 400 square feet of brick to eliminate a bulge in the rear wall and the resetting of brick, a door, and window jambs at an estimated cost of \$1,152; however, HUD found that this work had not been done.

The causes of the leaks were not corrected because of an omission from the contract of a requirement that brick above second-floor windows be removed, relaid, and properly supported above the windows to prevent seepage of rainwater through the upper walls.

The wooden fire escape consisted of stairs leading from the second floor to the ground floor. A window provided access to the stairs from the second floor. The property owner said that she wanted a door installed that would give access to the stairs. She was vague, however, as to any promises and as to who had made them. The work specifications did not provide for a door, and project officials told us that a door leading to the stairs was not required to meet the housing code. Project officials also said that outdoor stairs which become slippery when wet are not in violation of the housing code. HUD found, however, that a hand rail for the fire escape had not been properly secured to the building.

A representative of the mortgage company has told us that the owner uses money orders to make payments on the loan on this property and that his firm does not issue receipts for payments made in this manner but that the property owner is furnished a statement of the account each year. The owner told us that she did not know whether she had received an annual statement.

Case number 2--5119 Raymond Avenue

The complaint was that live electrical wires were left uncovered for 6 months after the contractor had been paid for his work. This condition, along with five others, that remained after the city had certified that the building was

in compliance with the codes was cited as code violations by HUD inspectors. None of these conditions resulted from failure to comply with the contract, because project officials had not provided for work on these items in the work specifications. City inspectors subsequently reinspected the building and found that code violations did exist but that these resulted because several items of work required by the contract had not been done properly.

We talked with the property owner and observed the wiring. There was an opening in the wall along one side and another in the bottom of an electrical service box through which insulated wiring running to the back of the service box could be seen. City officials informed us that a new service box had been installed, somewhat smaller than the one removed and that insulated romax wiring could be seen entering the new service box. In commenting on our draft report, the city stated that the complaint as stated was not justified. At the time of our review, HUD had not made a reinspection of the property.

Case number 3--5109 Ridge Avenue

The owner expressed dissatisfaction with both the quality and the cost of the work. As to quality, the only item cited was the positioning of a vent pipe in the bathroom. The owner indicated that, after she had questioned the extent of repairs required, the contract price had been lowered from \$3,905 to the grant limit of \$3,000. Also, the owner showed us another bid which she had reported to be about half the amount of the contract. Our examination of the bid showed that it covered only plumbing work and not the carpentry and other required work.

According to the city's project loan officer, on December 18, 1968, the successful contractor submitted a bid of \$3,905 for repairs to this property. The bid was not accepted by project officials, but the specifications were revised to delete certain work, and on March 19, 1969, the contractor submitted a bid of \$2,939 based on the revised specifications. The revised bid was accepted. City officials told us that the specifications had been revised to eliminate certain work which the owner had already done and that there was no justification for the complaint.

The project files showed no evidence that any bids were received from other contractors. Also, the project loan officer stated that they had no information on any other bids on this job.

After the certification of final inspection was prepared on May 26, 1969, city inspectors found two items on which workmanship was unsatisfactory and the contractor made corrections. During its inspection of this property, however, HUD found four code violations that had not been included for correction under the contract. At the time of our review, the city had not determined what action would be taken to correct the code violations.

Case number 4--5050 Maple Avenue

The owners complained (1) that they applied for a loan in December 1967 and received conflicting information from time to time over a period of 18 months as to whether a loan could be approved and that eventually the loan was denied, (2) that the property was damaged by fire on July 4, 1968, but most of the damage was to one room, and (3) that the city had demolished the home and attached a lien of \$1,100 against the land.

On July 30, 1968, the city recommended to HUD that the owners' loan application submitted in December 1967 be disapproved. The city's project records indicated that a decision regarding the loan application had been delayed because of the owners' credit rating and because the property already was encumbered by a commercial loan. The city's project records contained a report dated May 3, 1968, from a credit bureau. Also, the city's project records showed that the city had recommended that the loan be disapproved because of the unsatisfactory credit rating of the owners as shown by the credit bureau rating.

On April 7, 1969, 9 months after the fire, the owners submitted another application for a rehabilitation loan to be used for repairs estimated to cost \$16,230. By letter dated April 21, 1969, HUD advised the city that this application could not be approved because (1) it involved substantial reconstruction or new construction which was not authorized under the code enforcement program and

(2) FHA's appraisal of the property after the fire did not place any value on the building. By letter dated June 2, 1969, the owners were advised by the city that their loan applications had been disapproved.

City building inspectors condemned the building on November 14, 1968, because of damage from the fire, and the owners were requested to demolish the building. The owners did not comply, and, consequently, the city demolished the building in August 1969. Costs of \$899 incurred in doing this and an administrative charge of 10 percent of the cost to demolish the building were included in a lien which was filed against the lot.

We were unable to locate the property owners to obtain more information regarding their complaints. In commenting on our draft report, the city stated that (1) the fire was much more extensive than indicated by the complaint, (2) the owners did not qualify for the requested loan, and (3) the complaints were not justified.

Case number 5--5071 Vernon Avenue

The owner complained that (1) she did not have an opportunity to select the contractor, (2) one of the contractors doing much of the work under the St. Louis project was awarded the contract, although other bids were received, and (3) water leaked into the basement from some point near a large air duct.

The project records show that a contractor submitted a bid dated June 28, 1968, for work to be done on this property. There is no evidence in the project files that other bids were solicited or received. A project official told us that the contractor subsequently withdrew the bid because of a heavy work load and that another contractor (the one cited in the owner's complaint) accepted the city's request to perform the work at the price proposed by the first contractor. The records do not indicate whether the property owner was involved in selecting a contractor. We have commented on page 12 on the practices of the city and the involvement of property owners in selecting contractors and on measures being undertaken by the city to improve these practices.

We were unable to contact the owner who we understand is an elderly lady in poor health. A building inspector supervisor told us that he and two plumbing inspectors accompanied by the owner's son, who also is a plumber, had visited this property to investigate the reported water leaks. He stated that they did not find any leaks and that they had received no further complaints from the owner.

The project records showed that this property was in compliance with the housing codes; however, HUD's inspection of this property cited five code violations which had not been included for correction under the contract. At the time of our review, the city had not taken action to correct the code violations.

HUD ACTION

HUD's major enforcement device is the withholding of funds. Accordingly, after HUD had confirmed in July 1969 that the city had not protected the interests of project area residents in dealing with contractors, HUD suspended the city's authority to approve rehabilitation grants. HUD also notified the city that it would take no further approval action on pending rehabilitation loans. (See p. 27.)

As result of HUD's action, the city reinspected 132 properties--all of which had involved HUD grants or loans. (See p. 22.) The city's inspections substantiated many of HUD's findings, and, in a December 1969 letter, HUD notified the city that:

"As a result of a full review of the Code Enforcement Program in St. Louis, the actions being undertaken by the City to improve the administration of these activities, and in the interest of creating a minimum of hardship for area residents of the Code Enforcement area, the Department of Housing and Urban Development is:

- "1. Granting an extension of time for the completion of this project until June 30, 1970.
- "2. Authorizing the resumption of grant payments for rehabilitation activities. These grant payments will not be made on contracts for rehabilitation without the review and concurrence of the Regional Office on each case.
- "3. Prepared to approve rehabilitation loans as appropriately submitted in connection with improvements to properties in the Code Enforcement area.

"These actions by the Department of Housing and Urban Development are predicated on your assurances that:

- "1. All rehabilitated properties will be brought into full compliance with the codes.
- "2. All rehabilitated properties are brought into full compliance with the terms and conditions of the Rehabilitation Contract.
- "3. All rehabilitation work is performed in a workmanlike manner at reasonable cost and completed expeditiously.
- "4. A properly authenticated Certificate of Completion will be issued for each rehabilitated property. (Signed in person by an appropriate officer of the City.)
- "5. The City will continue to do everything it can be reasonably expected to do to assure correction or completion of the previous deficient rehabilitation work.
- "6. That the City will complete all public improvements needed in the project area, including street work, and will also take appropriate action to assure that all abandoned cars and other types of debris are removed from the area.

"Our files reflect that Budget No. 2 for this project was approved July 9, 1969, but the necessary contract which would have made the revision effective has not been issued pending resolution of the problems encountered in carrying out the project. After you have had an opportunity to review the actions required in terms of the time period reflected above, the Department of Housing and Urban Development is prepared to act favorably on a revised budget, shifting funds from one category to another or, if the need is justified, to extend the contract offer which would increase rehabilitation grants from \$328,000 to \$600,000.

"All Federal participation in the project will cease as of June 30, 1970."

CHAPTER 5

COMPLIANCE BY HUD AND CITY OFFICIALS

WITH PROMISES TO AREA RESIDENTS

We identified the following commitments, agreements, or promises made to area residents by HUD or city officials: (1) establishment of a citizens committee in each project area, (2) free architectural services to property owners, (3) free individual consultation services, and (4) participation in contractor selection. In addition, we were told by a representative of one of the Gateway Centers that the City Building Commissioner had promised that qualified residents of project areas would be employed in some capacity to work in the project. The information that we obtained relative to each promise is summarized in the following sections of this chapter.

ESTABLISHMENT OF A CITIZENS COMMITTEE

HUD's grant contract with the city provided that, in each of the areas selected for a concentrated code enforcement program, a citizens committee be formed, composed of property owners, tenants, businessmen, clergymen, school principals and teachers. To meet this requirement, the city consulted and used the services of existing organizations in the community--the Gateway Centers, the St. Louis Federation of Block Units, Inc., and the Mayor's Citizens Advisory Committee.

ARCHITECTURAL SERVICES

Although the grant contract provided that the services of an architect be made available to property owners for limited professional advice, the city did not hire one. The project director told us that project officials had determined that the services of an architect were not needed. The HUD Assistant Regional Administrator for Renewal Assistance, who is an architect, said that, in his opinion, the lack of an architect on the project staff had no detrimental effect on the project.

INDIVIDUAL CONSULTATION SERVICES

Offices staffed primarily by inspectors were established by the project in each project area to provide individual consultation services to residents with problems involving the code enforcement program. In addition, the property owners were furnished brochures which showed names of other project officials who they could contact. Available project records did not show whether these services were used by area residents.

PARTICIPATION IN CONTRACTOR SELECTION

The city's project director stated in a letter dated July 28, 1967, to the chairman of the Mid West Citizens Council that the choice of the contractor would be the homeowners prerogative unless the owner requested assistance from the project office. HUD's special investigation (see pp. 25 and 27) and our review of residents' complaints revealed that the homeowners rehabilitating their property with Federal financial assistance had little or no voice in selecting the contractors. The city's building commissioner stated that homeowners did not select the contractor, because he decided to restrict the work to some of the large contractors to speed up the work. Written procedures recently put into effect by the city, however, provide for property owners to participate in contractor selection. (See p. 12.)

EMPLOYMENT OF AREA RESIDENTS IN PROJECT

A representative of one of the Gateway Centers told us that the city's building commissioner had promised that qualified residents of the project would be employed in some capacity to work in the project. She said that no residents had been hired although two or three whom she believed were qualified had been referred to the city. She could not remember their names.

We discussed this matter with the building commissioner. He stated that he had made no promises of employment and that such promises would be beyond his authority. He said that, in meetings with area residents during the early stages of the project, the matter of jobs had been discussed

and that the people had been told that they could submit applications for employment in the project to the city through its regular employment channels.

Subsequently, we discussed the hiring of area residents with the building commissioner's administrative assistant. He said that this was discussed at a meeting of the Mayor's Citizens Advisory Committee in December 1968. He furnished us a copy of the minutes of this meeting. The minutes show that various committee members, city officials, and citizen guests attended the meeting. During the meeting, one of the citizen guests pointed out that most people in the area had complained to the Union-Sarah Gateway Center rather than to the city's building division. The minutes state that the building commissioner suggested hiring an individual to act as coordinator for the center and the building division with respect to citizens' complaints.

The administrative assistant advised us that, as a result of this discussion, the Union-Sarah Gateway Center had referred a man to his office for possible employment in this position. He said that he had interviewed the man and decided he was qualified to fill the liaison position and that he had requested a representative of the Union-Sarah Gateway Center to have a contract written setting forth the terms of employment. He said, however, that he had not received the contract nor had any further contact with the center regarding this matter.

To determine the status of the proposed contract, we contacted the representative of Union-Sarah Gateway Center. The representative told us that a lot of hedging had gone on between the city and the center regarding where the liaison person would be located and who would be his immediate superior and that, by the time these issues were settled and a contract written, the man who had applied for the position had found another job.

We were unable to identify any other job applicants as residents of the project.

CHAPTER 6

CONCLUSIONS AND AGENCY COMMENTS

The city had problems in administering the project and was unable to comply with its plan which provided for bringing all properties into code compliance within 3 years from the date of the project approval. Furthermore, on the basis of the results of test inspections made by the HUD staff, it is questionable whether many properties on which rehabilitation work has been completed and certified by city inspectors as being in code compliance were in compliance with city codes at the time of our fieldwork.

Information on housing and economic conditions which was available before the project was approved indicated that the extensive deterioration of many of the properties in the project areas was such as to prevent them from being rehabilitated within the period of the grant contract and with the resources available to the property owners. We believe that an adequate study of the feasibility of rehabilitating the properties--including an analysis of the structural condition of the properties in the project areas, and the economic status of the property owners--would have enabled the city to avoid many of the problems it encountered in administering the project and would have shown that the project areas were not suitable for rehabilitation under the code enforcement program.

Although the city may not have fully applied the minimum housing standards in all cases, we found no evidence that resident and nonresident owners were not treated equally. Many property owners, however, did not get opportunities, as promised by the city, to participate in the selection of contractors to do work on their properties.

The city's follow-up inspections of contract work done on properties generally were not adequate to protect the interests of the owners by assuring that all required work had been satisfactorily completed. Also, the city did not have an architect on its project staff as provided in its grant application.

Rumors published in St. Louis newspapers regarding alleged kickbacks from contractors to inspectors were not substantiated by a special investigation of the project by HUD.

Our review substantiated most of the facts on which the five residents' complaints were based. City officials stated, however, that the facts did not justify the complaints in three of the cases (numbers 2, 3, and 4). On the basis of available information on these cases, we do not disagree with the city officials' view that the complaints were not justified. The city did not comment on the remaining two cases.

We believe that more adequate monitoring of the project by HUD would have helped to identify and resolve problems as they arose.

In a letter dated October 16, 1970 (see app. II), the Acting Assistant Secretary for Renewal and Housing Management commented on the matters discussed in our draft report. He stated that, before recommending approval of the city's grant, HUD personnel inspected the proposed areas and eliminated several proposed areas because they did not meet eligibility criteria and that, in light of regulations existing at that time, the regional office was of the opinion that the areas were suitable for a concentrated code enforcement program.

As discussed on page 9, inspection of the proposed areas was limited to a windshield inspection and only one area (Lindell North) was eliminated from the project. After receipt of HUD's written comments, we discussed this matter with HUD officials who could provide evidence that only one area was deleted. This area was deleted because of the high percentage of nonresidential buildings.

The Acting Assistant Secretary stated that, regardless of the amount of project monitoring by HUD, the responsibility for initiating, administering, and carrying out a federally supported code enforcement program in a sound, economical, and efficient manner rests with the local public body that has entered into a contract with the Government for such purposes. He stated, however, that in January 1970 the Ft. Worth Regional Office implemented a surveillance system to provide for better surveillance of project files and for

ete inspections of a sample number of properties. The
veillance system is under the direction of the regional
Office's Field Services Division and, if properly imple-
mented, should result in improved administration of the
code enforcement program.

In a letter dated September 29, 1970 (see app. III),
the Mayor of St. Louis provided the city's comments on the
matters discussed in this report. Although the Mayor dis-
agreed with certain details in the report, he stated that
the results of the federally supported housing code enforce-
ment program had fallen short of the goals which the city
and HUD had set.

The Mayor stated that the program's shortcomings re-
sulted primarily because the area selected was not conducive
to this program, either physically or economically. He ac-
knowledged errors and admitted to a lack of knowledge re-
garding the administration of rehabilitation loans and grants
but said that HUD had not given the city the required assis-
tance and guidance in the administration of the loan and
grant programs.

The Mayor has expressed the belief that the code en-
forcement program can be a success if enforcement areas are
selected more carefully and the city gets more cooperation
from HUD officials and its code enforcement specialists. He
added that HUD should provide guidance, information, in-
structions, direction, or training necessary to effectively
administer the program.

Other comments included in the city's reply have been
incorporated in the appropriate sections of this report.

CHAPTER 7

SCOPE OF REVIEW

Our review was directed toward obtaining information directly pertinent to the request of a member of the Congress. We reviewed various aspects of the city's administration of the code enforcement project, the problems experienced by the city in conducting the activities, and the status of the project.

We reviewed audit and investigative reports pertaining to the project which were prepared by HUD representatives; examined pertinent records at HUD's Central Office in Washington, D.C., at the regional office in Ft. Worth, Texas (Region V), and at the city of St. Louis; and discussed various matters, including the planning and execution of the project, with officials at these locations. We contacted representatives of the Union-Sarah Gateway Center, the Human Development Corporation of Metropolitan St. Louis, and the St. Louis Federation of Block Units, Inc., to obtain information to assist us in our review. We also reviewed the circumstances regarding the five complaints referred to us by the Congressman and discussed the complaints with three of the five property owners.

APPENDIXES

WILLIAM L. CLAY
1ST DISTRICT, MISSOURI

COMMITTEE ON
EDUCATION AND LABOR
MICHAEL C. MCPHERSON
ADMINISTRATIVE ASSISTANT

1209 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2406

Congress of the United States
House of Representatives
Washington, D.C. 20515

DISTRICT OFFICE
WALTER V. LAY
DISTRICT ASSISTANT
5145A DELMAR BLVD.
ST. LOUIS, MISSOURI 63108
TELEPHONE: (314) 367-0930

July 31, 1969

The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
441 G Street
Washington, D.C. 20548

Dear Mr. Staats:

I respectfully call your attention to a matter requiring your immediate consideration. In accordance with your responsibilities for assessing the expenditure and application of public funds by federal agencies, I request that your office conduct an investigation of the St. Louis Concentrated Code Enforcement Program (Mo. E-4).

I suggest that your investigation address itself to, but not be limited to, determining the following:

- (1) Is the St. Louis minimum housing standards law being applied equally in regard to resident and non-resident owners?
- (2) Is there a comprehensive plan for the total rehabilitation of the effected areas?
- (3) Are those officials of Housing and Urban Development and the City of St. Louis who are responsible for administering the program adhering to a specific pre-determined policy?
- (4) Has HUD exercised sufficient leadership and leverage to assure that the City of St. Louis performs in accordance with its commitments under the Code Enforcement programs?
- (5) Has HUD utilized all legal means to force the City of St. Louis to adopt regulations which would protect the residents of the Code Enforcement Area from unscrupulous contractors and unreasonable contracts?

APPENDIX I


Page 2
Hon. Elmer B. Staats

- (6) Has HUD attempted to determine if there are any reasonable grounds to substantiate the many rumors of kickbacks between contractors and city inspectors.

I have brought this matter to the attention of Secretary George Romney and I have urged him to give this program his attention prior to authorizing a nine month extension recently requested by the City of St. Louis.

In view of the housing needs which so clearly exist in our community and the basis for attending this need through a federal fund expenditure, I hope you will submit this situation to a thorough investigation as soon as possible.

Sincerely,


William L. Clay
Member of Congress

WLC:cl



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20413

OFFICE OF THE ASSISTANT SECRETARY
FOR RENEWAL AND HOUSING MANAGEMENT

IN REPLY REFER TO:

OCT 16 1970

Mr. B. E. Birkle
Assistant Director, Civil Division
United States General Accounting
Office
Washington, D. C. 20548

Dear Mr. Birkle:

The Secretary has asked me to respond to your letter of July 30, 1970, requesting the Department's comments on your draft of a proposed report to a member of Congress entitled: "Review of Certain Aspects of Code Enforcement Project Missouri E-4, St. Louis, Missouri, Department of Housing and Urban Development."

The Fort Worth Regional Office approved Missouri E-4 in February 1967. The project was one of the early code enforcement projects approved in the Region. During the application review process, several proposed areas were eliminated because they did not meet eligibility criteria.

HUD personnel inspected the proposed project areas before the application was recommended for approval, and in the light of regulations existing at that point in time, the Regional Office was of the opinion that the areas were in fact suitable for a concentrated code enforcement program. During these early stages of project review, the St. Louis FHA Insuring Office participated and found the proposed project areas acceptable for approving Section 220 mortgage insurance loans on residential structures.

During the past year the Fort Worth Regional Office has found that test inspections made by HUD staff indicate that a number of properties which were reported to be completed (and so certified by city inspectors as being in code compliance) were not in fact in compliance.

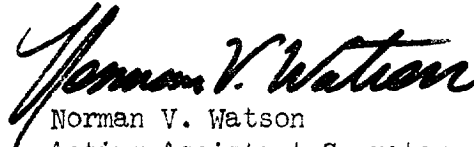
Complaints of slipshod work by contractors rehabilitating properties in Missouri E-4 project areas were confirmed by RAO staff during an investigation in mid-1969. The staff also verified the allegations that home owners had no choice in the selection of contractors.

APPENDIX II

In December 1969, HUD notified St. Louis that an extension of time for the completion of the project would be granted until June 30, 1970. The HUD action was predicated on the city's assurances that improvements in all phases of the administration of the project's code enforcement activities would be implemented immediately. The city was also advised at that time that all Federal participation in the project would cease as of June 30, 1970. Just prior to the end of the fiscal year, the Regional Office authorized that rehabilitation loan and grant cases already approved could be completed after June 30, 1970, with the specific understanding that administrative costs would not be allowed as eligible project costs. Subsequently a final project audit was made and the report will be issued in the near future.

In January 1970, the Fort Worth Regional Office implemented a surveillance system, under the direction of its Field Services Division (Urban Renewal Representatives), to provide for better surveillance of project files and complete inspections of a sample number of properties. It is the feeling of the Regional Office that if this system is followed through in the new Area Offices, it will assure management that an effective surveillance system is available to monitor local reports, files, and the quality and quantity of rehabilitation. However, it should be kept in mind that regardless of the amount of project monitoring done by HUD field personnel, the actual responsibility for initiating, administering and carrying out a federally assisted code enforcement program in a sound, economical and efficient manner rests with the local public body that has entered into a contract with the Government for such purposes.

Sincerely,


Norman V. Watson
Acting Assistant Secretary

BEST DOCUMENT AVAILABLE



Office of the Mayor / City of Saint Louis, Missouri

ALFONSO J. CERVANTES, Mayor

September 29, 1970

Mr. B. E. Birkle
Office of Associate Director
Civil Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Birkle:

I am enclosing a report which comments on the preliminary draft of the General Accounting Office's investigation into the operation of certain aspects of our MO. E-4 Housing Code Enforcement Program.

This point-by-point comment, along with some general observations, has been submitted to William Trantina, Director of Public Safety, by Mr. Kenneth O. Brown, Building Commissioner, and Mr. Albert J. Nerviani, Administrator of our Housing Rehabilitation Program.

You will note that Mr. Brown and Mr. Nerviani are somewhat critical of the assistance which HUD has rendered to this program. It is my sincere hope, however, that with the reorganization of HUD and some personnel that are taking over responsibility for housing programs, we might make a fresh start forgetting the past and looking to future opportunities for improvements through cooperation of our administrators and the administrators of HUD.

Sincerely,

Mayor

GAO note: The enclosure was not included in the report because of the detail nature of the comments it contained; however, the comments in the enclosure were considered in revising the report.

U.S. GAO Wash., D.C.