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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

CIVIL DIVISION

JUL 9 1971

Dear Mr. Jackson:

The General Accounting Office has made a survey of federally-assisted relocation activities, including those activities under programs administered by the Department of Housing and Urban Development (HUD). Our field work relating to HUD-assisted programs was carried out at local public agencies (LPAs) in Oakland and San Jose, California, HUD Region IX offices in San Francisco, and HUD Headquarters in Washington, D. C.

During the survey we noted a problem related to relocation payments made to certain displaced families and individuals who rent or lease replacement housing. We found that the method used by the LPAs in computing these payments often resulted in relocatees receiving monthly payments which were in excess of the amount required to assure residency in decent, safe, and sanitary dwellings.

BACKGROUND

Prior to January 2, 1971, authority for relocation payments was contained in Section 114 of the Housing Act of 1949, as amended. Section 114 provided for relocation payments to certain displaced tenants, and owner-occupants of single or two-family dwellings, to obtain decent, safe, and sanitary housing. Section 114 also provided that these payments should be based on the "average" rental or "average" price of a replacement dwelling of modest standards, adequate in size to accommodate the displaced individual or family.

For displaced families and elderly or handicapped individuals who rented or leased replacement housing, HUD regulations provided for payments to be based on the difference between 20 percent of a relocatee's income, and the average rental required for a replacement dwelling as computed by the LPA. Payments were made monthly for up to 24 months and could not exceed \$500 per year. Payments to displaced owner-occupants who repurchased within 1 year were based on the difference, up to \$5,000, between the amount received for the acquired dwelling and the average price required for a replacement dwelling.

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The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, dated January 2, 1971, resulted in several changes in relocation provisions, including (1) substantial increases in the amounts of payments available to relocatees and (2) an expansion of eligibility for such payments to all displaced persons. The 1970 Act also clearly identified the intended purpose of the relocation payments for tenants, by stating that the authorized payments shall be:

"* * * the amount necessary to enable such displaced person to lease or rent for a period not to exceed four years, a decent, safe, and sanitary dwelling * * *"

NEED FOR LIMITATION ON AMOUNT
OF RELOCATION PAYMENTS MADE
TO TENANTS

We noted that a number of displaced tenants had moved to decent, safe, and sanitary replacement dwellings and were paying rent substantially lower than the HUD-approved averages developed by LPAs. Despite their lower rents, these displaced persons still received the full relocation payment based on what the LPA determined their rent should have been. Although the payments were calculated within the constraints of Section 114, the full amounts were not needed to ensure adequate housing. For example:

Example 1

An individual was relocated to a decent, safe, and sanitary one-room apartment in the early part of 1969. His adjusted annual income was \$3,160 and his actual annual rent was \$516.

Despite his rent being well below 20 percent of his adjusted income, the LPA paid this relocatee relocation payments totaling \$482 per year, for 2 years. The \$482 was computed by deducting \$632 (20 percent of his adjusted income) from \$1,114 (the LPA established average annual rental for a one-bedroom unit). If the relocatee's actual annual rent of \$516--rather than the \$1,114--had been used in the computation he would not have received a relocation payment for replacement housing.

Example 2

A family was relocated to a decent, safe, and sanitary two-bedroom apartment. The annual gross rental cost for this unit was \$1,246. Twenty percent of the family's adjusted annual income amounted to \$1,159.

In this case the LPA computed a relocation payment of \$372 per year for 2 years. This figure was derived by relating \$1,531, the average rental cost in the area, to \$1,159. The actual rental cost of the decent, safe, and sanitary housing obtained by this family was not considered in computing the amount of the payments. If the actual

rental cost had been used in the computation, the family would have received only \$87 per year for 2 years.

Example 3

Two individuals relocated into a one-bedroom unit with an annual rent of \$1,200. Twenty percent of the incomes of the individuals at the time they relocated were \$340 and \$334, a total of \$674.

The LPA approved relocation payments of the maximum \$500 per year to each of the individuals, based on the difference between the average annual rental of \$1,276 for a one-bedroom unit, and 20 percent of each relocatee's income. In determining the amount of the payments, no consideration was given to the fact that the individuals were sharing a dwelling, and that the actual annual rental cost to each individual was only \$600. If the actual annual rental cost to each individual had been used in the computation, the individuals would have received \$260 and \$266, respectively, per year.

CHANGES IN RELOCATION ASSISTANCE RESULTING FROM PUBLIC LAW 91-646

In reviewing HUD's recently issued relocation regulations which implement the statutory provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Public Law 91-646), we noted that the payment made to an owner-occupant who repurchases has been limited to the difference--up to \$15,000--between the amount received for the acquired dwelling and the actual cost of the replacement dwelling.

Also, payments in amounts of up to \$4,000 over a 4-year period may be made to relocatees who rent or lease replacement housing at rates higher than their previous "base monthly rentals" as computed in accordance with HUD regulations. However, in contrast to the payments made to owner-occupants, payments to tenants have not been limited by the actual rental costs of replacement dwellings. Rather, the amounts of such payments have been established using LPA-computed rental costs for replacement housing in the area surrounding the dwellings to which the tenants are relocated.

Recognizing that HUD was in the process of developing guidelines for use by LPAs in carrying out the new relocation regulations, we brought this inconsistency to the attention of your staff during a meeting on June 2, 1971. It is our understanding that, as a result of this meeting, the new HUD guidelines will make it clear that actual rental costs incurred by relocated tenants for replacement housing are to be limiting factors in LPAs' calculations of rent differential payments to those tenants.

Subsequent to the June 2 meeting, we discussed the effectiveness of relocation payments with officials of the LPAs visited, and they generally agreed that in many instances payments were in excess of that necessary to obtain decent, safe, and sanitary housing. It was their position, however,

that they are required to continue to make payments based on average rental costs until such time as the new relocation guidelines are issued.

Considering the LPAs' position, we recommend that interim instructions be issued to the LPAs as soon as possible to preclude their continuing to make payments based on the existing method of computation. If such action is not taken, a substantial amount of excessive payments may be made prior to the formal issuance of the new guidelines.

We would appreciate being informed of any action taken on this matter and any comments you might have regarding our observations. A copy of this letter report is also being forwarded to the Assistant Secretary for Administration.

If you have any questions or would like to discuss our observations in greater detail we would be happy to meet with you or your staff.

Sincerely yours,

B. E. Birkle

B. E. Birkle
Assistant Director

The Honorable Samuel C. Jackson
Assistant Secretary for Community
Planning and Management
Department of Housing and Urban
Development