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Report to Sen. Robert Dole; by Henry Eschwege, Director and
Economic Development Div.

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Development.

Congressional Relevance: Sen. Robert Dole.

Authority: OMB Circular A-105.

To correct organizational deficiencies, the Department of Housing and Urban Development (HUD) is modifying its field office structure and implementing management changes to increase the authority and responsibility of its Assistant Secretaries. The effect of this reorganization on HUD's activities in Kansas was reviewed. Because each HUD regional office city also has an area office, the Kansas City, Kansas, area office and the Kansas City, Missouri, regional office will be colocated for common administrative services. HUD officials were not able to furnish details documenting the colocation decision, but the decision was believed to result in savings on office supplies, data processing, libraries, and personnel. Multifamily housing programs are being consolidated in Kansas City to concentrate the programs' workload and skilled staff and to reduce overhead costs. No detailed cost-benefit analysis was performed concerning consolidation of multifamily programs from Topeka to the Kansas City office. The Topeka Federal Office Building will be about 10% vacant after the HUD reorganization. The cost of moving functions from Topeka to Kansas City will depend upon the amount of material moved and employment decisions made by personnel affected by the transfer. (RRS)

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**UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

IN REPLY
REFER TO

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-114860

RELEASED

FEB 13 1978

2/16/78

The Honorable Bob Dole
United States Senate

Dear Senator Dole:

In accordance with your October 31, 1977, request and subsequent agreements with your office, we have made inquiries into your specific questions concerning the effect of the Department of Housing and Urban Development's (HUD's) reorganization on the State of Kansas.

We made our review at HUD headquarters in Washington, D.C.; the HUD offices in Topeka, Kansas, and the Kansas City area; the Kansas City, Missouri, General Services Administration (GSA) office; and the mayor's office in Kansas City, Kansas.

On December 19, 1977, we briefed your office on our review. As requested, this letter confirms the information provided you at that time.

BACKGROUND

On October 13, 1977, the Secretary of HUD announced a reorganization to implement the recommendations of an organization assessment group. The group, composed of HUD field and headquarters staff, was chaired by the Under Secretary of HUD. After examining internal and external reports and considering the views of HUD staff and program users, the group identified several organizational deficiencies including

- unclear Assistant Secretary authority and accountability;
- lack of clear, consistent, and timely headquarters statements of policies, objectives, and interpretations to the field;
- processing delays resulting largely from duplicate regional office participation in housing operations;

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(38051)

- inadequate technical assistance at area offices; and
- excessive overhead cost of the present field office structure.

To correct these deficiencies, HUD is modifying its field office structure and implementing management changes to increase the authority and responsibility of its Assistant Secretaries. A description of HUD's reorganized field structure is outlined in enclosure I.

The following information was developed in response to your specific questions.

1. What is the rationale for collocating the Kansas City, Kansas area office with the Kansas City, Missouri regional office?

Because each HUD regional office city also has an area office, the Secretary decided the two offices should be physically colocated so the regional offices may provide common administrative services. HUD's Kansas City, Kansas, area office, therefore, will be colocated with the Kansas City, Missouri, regional office.

In reply to our inquiries, HUD officials were not able to furnish specific details documenting their collocation decision for the two Kansas City offices. These officials told us there was no detailed analysis of the costs and benefits of any of the physical collocation moves. Various HUD officials said, however, the collocation should result in savings on office supplies, data processing and copying equipment, and libraries. The cost of two administrative positions would also be eliminated by collocation.

Because HUD has interpreted the Office of Management and Budget (OMB) Circular A-105 to mean that Kansas City, Missouri, shall be the standard regional headquarters city for the Iowa, Kansas, Missouri, and Nebraska region, the two offices will be colocated there. The April 4, 1974, circular establishes as a Federal domestic agency goal, 10 standard Federal regions with standard regional office headquarters locations, to encourage geographic proximity for Federal

regional offices. An OMB official informed us that Circular A-105 does mean that regional offices should be located in Kansas City, Missouri.

We noted one exception to the decision to colocate regional and area offices--HUD's Dallas regional and area offices will not be colocated. The Dallas regional office will be moved instead to Ft. Worth, a distance of about 30 miles, while the area office will remain in Dallas. A HUD official informed us that the regional office is being moved because it must vacate its space in a Dallas Federal office building to make room for another agency, and because there is insufficient leased space available in Dallas for a colocated regional and area office. To move the regional office from Dallas, the standard regional headquarters city, the official said HUD would need an OMB waiver of Circular A-105 provisions.

2. What is the rationale for consolidating multifamily housing production and management functions formerly located in the Topeka, and other, insuring offices to the Kansas City, and other, area offices?

According to HUD officials and available documents, the multifamily housing programs are being consolidated (1) to concentrate the programs' workload and skilled staff, enabling more efficient management and faster processing, and (2) to reduce overhead costs by eliminating some of the high-cost, small-workload multifamily field offices.

In response to our inquiries, HUD officials said no detailed cost-benefit analysis was performed concerning the consolidation of multifamily programs from the Topeka insuring office to the Kansas City area office. The Topeka office is losing responsibility for multifamily programs because it was an insuring office and multifamily responsibilities are generally being consolidated in area offices. Regional office officials told us that seven management and administrative positions may be eliminated with the consolidation.

We noted several exceptions to HUD's decision to consolidate multifamily programs at the area office level. At the time of our review, HUD planned to maintain multifamily activities at 6 of the 34 newly created service offices.

A HUD official told us multifamily programs are being retained at service offices in Manchester, New Hampshire; Providence, Rhode Island; and Charleston, West Virginia, because the conditions and needs in these portions of New England and Appalachia are different from those in the nearest area office. These programs are still in effect at Nashville, because of its central location in Tennessee and at Cleveland, Ohio, and Sacramento, California, because of their high levels of multifamily activity.

3. "What effect will the proposed elimination of the Topeka, Kansas insuring office have on the new Federal Office Building in Topeka? This \$12 million structure, which was opened only last spring, stands to lose its largest tenant. As a result, nearly 13,000 square feet of modern, well-planned, new office space will be left vacant."

GSA officials in Kansas City informed us that the 233,000 square feet in the Topeka Federal Office Building is currently about 5 percent vacant and will be about 10 percent vacant after the HUD reorganization. At the time of our visit, GSA officials had not determined a use for the space that will be vacated by HUD. The GSA officials said, however, the vacated HUD space might be used by an agency currently in another federally owned building, by State agencies funded by Federal programs, or by a nongovernment organization.

4. "What costs were incurred by the General Services Administration and the Department of Housing and Urban Development in moving the Topeka, Kansas insuring office to the new Topeka, Kansas Federal Building in March 1977? What is the estimated cost of moving the Topeka, Kansas insuring office and the Kansas City, Kansas area office to Kansas City, Missouri?"

We identified costs of about \$7,000 for HUD's March 1977 move to the Topeka Federal Office Building. Of this amount, GSA spent approximately \$4,000 to move the contents of the Topeka insuring office to the Federal Office Building, and HUD spent about \$3,000 to move new furniture

and equipment. Although additional costs were incurred in preparing the HUD office space at the new building, GSA officials were unable to distinguish between construction and office preparation costs. One GSA official estimated that space preparation costs generally average \$15 a square foot. Using this estimate the space preparation for HUD's 13,000 square feet cost about \$195,000. Because the GSA official said some of these improvements might be used by the next tenants, however, the space preparation costs may not all be applicable to HUD.

Because firm decisions had not been made concerning all aspects of moving either the Topeka insuring office or the Kansas City area office, we were not able to obtain firm cost information on moving these HUD offices. Information was available, however, to enable us to make some cost estimates.

According to HUD officials and documents, the cost of moving functions from the Topeka insuring office to Kansas City, Missouri, will depend primarily on (1) the amount of material moved and (2) the employment decisions made by personnel affected by the transfer of functions. Neither of these factors had been decided at the time of our visit.

HUD estimated in its environmental impact analysis of the proposed reorganization that nationally, 60 percent of the affected staff will transfer, 25 percent will resign, and 15 percent will retire. As a result, certain relocation or separation costs will be incurred. If the Topeka insuring office employees follow these national estimates, we estimate that the personnel relocation costs will be approximately \$400,000.

In the case of the Kansas City area office, HUD had not at the time of our review, developed a formal estimate of the amount of space needed to collocate the area and regional offices. However, HUD had inquired informally of GSA for 50,000 square feet of space for collocation. Based on this inquiry, GSA's preliminary cost estimates totaled \$360,000--\$340,000 for space alteration and \$20,000 for moving office furniture and equipment and telephone installation. The GSA estimate included costs for moving several agencies to accommodate the HUD office in Missouri. However, these costs were partially offset by savings to the Government, because future space requirements of HUD and the agencies that may be moved will be reduced by about 16,000 square feet.

5. "The Department proposes to colocate all personnel from the current Topeka and Kansas City, Kansas offices and the present regional office in Kansas City, Missouri in a single facility in Kansas City, Missouri. Is there sufficient federally owned office space in Kansas City, Missouri to meet this demand? If Federal space is available, what costs would be incurred by the government in moving other Federal agencies which would be displaced by HUD's square footage requirements? If not, what is the estimated cost of 60,000 square feet of commercial office space in downtown Kansas City, Missouri?"

GSA officials told us that the HUD regional and area offices, including the Topeka transferred functions, cannot be colocated in Kansas City, Missouri, Federal office space unless some other Federal agencies are displaced. There will be moving costs for these other agencies, and about \$70,000 has been included in the GSA cost estimate just discussed.

A GSA official said commercial office space in downtown Kansas City, Missouri, costs between \$5.50 and \$9.00 a square foot each year. Based on 60,000 square feet, the cost estimates range from \$330,000 to \$540,000 a year for commercial office space in Kansas City, Missouri.

6. "Since Kansas City, Missouri, imposes an earnings tax and since there is no free parking available in downtown Kansas City, Missouri, how much will the take-home pay of HUD employees now housed in Kansas be reduced by the shift into downtown Kansas City, Missouri?"

Kansas City, Missouri, imposes a 1 percent tax on the gross earnings of persons working or living in the city. Because the average annual salary of employees in HUD's Kansas City, Kansas, area office is \$16,599, the average earnings tax would be \$166 a year. A portion of this amount may be recovered by itemizing deductions on individual Federal tax returns.

According to HUD Kansas City regional office officials, parking in downtown Kansas City, Missouri, costs about \$15 per month, or \$180 per year.

7. "If the HUD plan is implemented, what percentage of metropolitan Kansas City Federal offices would be located in Missouri? In Kansas?"

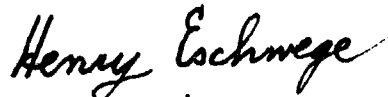
As of August 1976, 95.41 percent of the 6,443,733 square feet of federally owned and leased space in the Kansas City metropolitan area was located in Kansas City, Missouri, and vicinity. Assuming no other changes have occurred, the space in Kansas City, Missouri, would increase to 95.84 percent when HUD's offices are moved there.

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At your request, we did not obtain written agency comments. The matters covered in the report, however, were discussed with HUD officials, and their comments have been incorporated where appropriate.

We plan to make copies of this report available to interested parties upon request, beginning 3 days after the report date.

Sincerely yours,



Henry Eschwege
Director

Enclosure

DESCRIPTION OF NEW HUD FIELD STRUCTURESummary Change in Status of All HUD Field Offices

	<u>Regional offices</u>	<u>Area offices</u>	<u>Insuring offices</u>	<u>Service offices</u>	<u>Valuation/ endorsement stations</u>
Before reorganization	10	42	35	8	19
After reorgani- zation	10	40	0	34	27

Change in Status of Region VII Field Offices

Regional office --Kansas City, Missouri--Remains a regional office.

Area office --Kansas City, Kansas; St. Louis, Missouri;
Omaha, Nebraska--All remain area offices.

Insuring office --Des Moines, Iowa--Becomes a service office.
Topeka, Kansas--Becomes a valuation/endorsement
station.

Description of Field Office Functions
After Reorganization

Regional offices under the direction of regional administrators, will supervise and evaluate the management and operations of area offices, coordinate HUD regional activities, and represent the Secretary in every respect. The elimination of routine program operations from regional offices will permit increased emphasis of regional administrators on their functions of monitoring and evaluating program management and production, processing appeals from decisions of subordinate office officials, reallocating staff resources among offices and organizations, meshing HUD field functions, and balancing social and program goals in the administration of HUD programs. The Regional Counsel, Fair Housing and Equal Opportunity, and administration functions will be continued.

Area offices under the direction of area managers, will continue to perform field operations for HUD's housing and community development programs. They will assume the additional responsibility of administering those multifamily programs formerly in the insuring offices under their jurisdiction. In addition they will supervise the single-family activities of service offices and valuation stations (both

of which had formerly been insuring offices). Area offices have final signoff authority on almost all program operations, and are the focal point for program integration at the operating level.

Service offices under the direction of supervisors, will provide the full range of single-family insurance program activity, including acceptance of applications and processing through commitment and insurance endorsement, subdivision analysis, inspections, loan management, and property disposition. They will provide information and referral service on HUD programs. Most service offices report to area office housing division directors, but service offices having multifamily functions will report to area office managers.

Valuation and endorsement stations will receive single-family applications, process them through firm commitment and endorsement, and make construction inspections. They will not process subdivision applications, make subsidy control decisions, or handle loan management or property disposition. Valuation and endorsement stations will report to the area office housing division, and will provide information and referral service on other HUD programs.

Insuring offices have been eliminated under the reorganization. They had handled multifamily as well as single-family mortgage insurance. The multifamily workload, with a few exceptions, will be transferred to area offices, and insuring offices will become service offices or valuation and endorsement stations.