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Testimony



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ISSUES PERTAINING TO THE MANAGEMENT OF THE  
BUFFALO MUNICIPAL HOUSING AUTHORITY

Statement of  
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Before the Honorable Daniel Patrick Moynihan  
at a Field Hearing in Buffalo, New York



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Senator Moynihan:

We appreciate the opportunity to respond to several of your concerns regarding the management of the Buffalo Municipal Housing Authority. These concerns include (1) the effectiveness of a recently signed agreement between the Authority and the Department of Housing and Urban Development (HUD) to improve the racial balance of the Authority's public housing developments, (2) the reasons for the Authority's relatively high vacancy rates, and (3) the need for the current number of employees at the Authority. As you know, we are still in the process of analyzing the information we have collected and plan to provide you a more comprehensive report at a later date. Nevertheless, we are pleased to share our preliminary observations with you this morning.

In summary, prior practices that allowed tenants to choose the development in which they preferred to live have left the Authority with highly segregated housing. While it is too early for us to conclude whether the new agreement will effectively remedy this situation, certain factors could impede its success.

The agreement calls for the Authority to provide individuals various financial incentives such as new kitchen appliances and payment of child care costs if they agree to locate in a housing development in which their race is not concentrated. However, these incentives end once the racial composition of the development changes by 10 percent, even though this change may still leave certain developments highly segregated. Further, developments are to receive physical improvements when their racial composition changes by 10 percent. These incentives are most likely to go to smaller and newer developments where they are needed the least because the target change in racial composition will be easier to achieve at these developments.

Numerous factors have contributed to the Authority's high vacancy rate, which is currently 28 percent of its federally assisted inventory as compared to a 7.5 percent national average. Much of the vacancy rate is due to HUD-approved tenant placement procedures that restricted filling vacancies at smaller developments, modernization work, and undesirable locations and physical condition of housing developments. The Authority could fill vacancies more quickly if it improved its marketing efforts and reduced the time it takes to ready units for occupancy.

As of March 31, 1990, the Authority had about 435 employees. This tends to be high in comparison to housing authorities of similar size; but such comparisons may not be appropriate because even authorities of similar size differ in other respects, such as the condition of developments and the extent to which critical services are performed by outside contractors. HUD has approved the current staffing level as necessary for the Authority to provide additional security, to effectively manage its modernization program, and to address its growing vacancy rate. Although we are not in a position to comment on the Authority's overall staffing efficiency, we noted that recent staff increases have been in areas requiring increased management attention.

#### BACKGROUND

The Authority is an independent public entity created in 1934 under New York state law. It is controlled and managed by a board of seven members, of which five are appointed by the Mayor and two are elected from the tenant population. The Authority owns, maintains, and administers over 5,000 public housing units located in 23 federally aided developments. It also owns and manages four state developments--two of which are completely vacant. This makes it the largest of 51 public housing authorities under the jurisdiction of the HUD Buffalo Area Office. In the last 10 years,

the Authority has received over \$82 million in federal operating subsidies and \$114 million to modernize its developments.

OBSERVATIONS ON AGREEMENT TO  
ADDRESS SEGREGATED HOUSING

In April 1989 HUD determined that during the period from 1976, to 1985 the Authority did not comply with HUD regulations implementing Title VI of the Civil Rights Act of 1964. This statute prohibits discrimination in federal programs on the grounds of race, color, or national origin. While HUD found no evidence of intentional discrimination by the Authority, it did cite the Authority for using tenant assignment procedures that were not based on a community-wide waiting list. Instead the Authority allowed prospective tenants to indicate the developments in which they wanted to live and it maintained separate waiting lists for each of its developments. HUD concluded that this practice had resulted in an overwhelming racial imbalance in the vast majority of the Authority's developments for both families and the elderly. HUD also concluded that, although the Authority had adopted a HUD-prescribed tenant placement plan in 1988, the Authority had to take affirmative steps to correct the effects of its past tenant placement procedures.

HUD and the Authority decided to resolve this situation by developing a voluntary compliance agreement. The purpose of the agreement is to bring the Authority into full compliance with title VI by correcting the segregation that resulted from past practices. HUD issued its first proposed agreement to the Authority in September 1989. After several revisions the agreement was accepted by the Authority and HUD in May 1990. Over the next 4 months, HUD and the Authority must agree on specific actions necessary to implement the agreement.

To improve the racial balance within the Authority's developments, the agreement requires the Authority to provide incentives to applicants and current tenants to locate in developments of their choice where their race is not concentrated. The incentives include vouchers for child care, education, and vocational training. These individuals can also receive improvements to their apartments, such as kitchen appliances, humidifiers, and free utility hook-ups. However, once the nonconcentrated race has increased by 10 percent in a development, the individual incentives to new applicants will no longer be offered. The value of incentives for new applicants and transferees is limited to \$1,000 each. The total value of incentives for new applicants cannot exceed \$500,000. There is no limit, however, on the value of incentives for transferees.

In addition, the Authority is to provide incentives to developments when there is a 10 percent increase in the occupancy of a nonconcentrated race. According to HUD, the development incentives are intended to provide benefits to current residents while also making developments more attractive to prospective tenants. These incentives include additional landscaping, improved security, sports facilities, and new community rooms. The total value of development incentives is capped at \$1 million. Both the individual and the development incentives are to be paid for by the Authority.

#### Concerns About the Voluntary Compliance Agreement

Until experience is gained with the agreement, it is premature to conclude whether or not it will be effective. However, there are certain potential impediments which I'll discuss, that may reduce its effectiveness.

As a general observation, we believe it will be easier to achieve the agreement's objectives in smaller developments that are predominantly occupied by elderly white tenants versus larger family developments that are almost exclusively minority. Smaller developments tend to be newer and in better condition and would require only a small number of move-ins to achieve the 10 percent target. For example, at Mullen Manor, a development with 40 units, only four minority applicants need to move in. Conversely, about 30 white families would need to move into Commodore Perry Homes. Because the development incentives are triggered by achievement of the 10 percent target, they are most likely to go to the smaller and newer developments where they are needed least.

Another potential impediment is using a 10 percent change in racial composition as the level for terminating the individual incentives. We recognize that 10 percent is a judgment call on the part of HUD; however, even if it is achieved, certain developments could remain highly segregated.

There is also the question of whether the Authority can attract sufficient numbers of nonminority tenants to achieve the 10 percent target in predominantly minority developments. As of April 1990 almost 85 percent of the families on the waiting list were minority.

Finally, because development incentives are capped at \$1 million, they may not result in sufficient improvements to attract new tenants, particularly if they are spread over a number of developments.

#### REASONS FOR HIGH VACANCY RATE

As of April 1990 the Authority reported that 1,419 federally assisted apartments, or 28 percent of its total federal inventory, were vacant. Three developments, Commodore Perry Homes, Commodore

Perry Extension, and Lakeview, accounted for almost half of these vacancies. The Authority's vacancy rate greatly exceeds the 1989 national average of 7.5 percent and HUD's general target of 3 percent. However, HUD has approved an Authority plan to reduce vacancies to 3 percent by 1997.

The Authority's vacancies are the result of many factors, including tenant placement practices, modernization activities, and undesirable location and physical condition of housing developments. In addition, the Authority's slowness in preparing units for occupancy and lack of aggressive marketing have contributed to the length of time apartments remain vacant.

On May 2, 1988, the Authority implemented a HUD-prescribed tenant placement plan--called Plan B--in response to HUD's determination that its prior process was unacceptable. Under Plan B, an applicant is offered three units in the three developments having the highest number of vacancies. Authority officials predicted that this plan would inevitably increase vacancies because smaller developments, even if totally vacant, may never qualify as one of the three developments with the largest number of vacancies. From the end of June 1988 (the first full month after Plan B was implemented) to March 1990, vacancies at the Authority's 16 smallest developments increased from 147 to 326, or more than 120 percent.

In May 1990, 2 years after Plan B was implemented, HUD determined that the Authority's implementation was overly restrictive because it did not distinguish between elderly and family developments when identifying those with the greatest number of vacancies. HUD recently clarified that the Authority could distinguish between elderly and family developments, which will allow the Authority to offer units in some of its smaller developments serving the elderly.

Comprehensive modernization activities, such as occurred at Commodore Perry Homes and Extension, have resulted in several hundred units being vacant and required that other apartments be held open to house displaced residents. Correcting health and safety hazards will also be a focus of future modernization work. These hazards are contributing to vacancies and will continue to do so in the future. For example, the Authority stopped filling vacancies at the Kenfield development in November 1989 because of lead-based paint hazards and at Langfield in April 1990 because of asbestos hazards. These two developments have 1,240 apartments, of which about 300 were vacant as of April 1990.

A development's location also affects vacancies. Our analysis of housing offers, for the period from June 1988 to March 1990, revealed that about 70 percent of the more than 1,200 offers of Commodore Perry were rejected, as were about half of the approximately 500 offers of the A.D. Price development. The developments' undesirable locations were a key reason for refusals. Another reason for an applicant's refusal is the location of the apartment offered. For example, over 125 walk-up third-floor apartments designated for the elderly were vacant primarily because of difficult access.

Poor physical appearance of developments also can contribute to a high rejection rate. For example, to prevent vandalism of vacant apartments, the Authority boards up the first and sometimes second floor windows. These red plywood boards have come to symbolize the Authority's developments. Also, at locations such as Langfield, units are missing large sections of siding and graffiti is present. Further, HUD has criticized the Authority for less than adequate maintenance at certain developments--a condition that we have also observed.

The Authority also has been slow in preparing apartments for occupancy. HUD guidelines provide that housing authorities should



turn over vacant apartments in 30 days. The Authority's records, however, show that this standard is significantly exceeded. During February, March, and April of 1990, it took the Authority more than 3 months to prepare vacant apartments. Delays in preparing apartments for occupancy affect the timeliness of placements. Thirteen of the 14 community organizations that we surveyed were critical of the Authority's inability to place applicants quickly.

Although the Authority recognizes the need to aggressively market its apartments as a means of reducing vacancies, its marketing during the last year has been limited to a few advertisements in the local newspapers and announcements on public television. In May 1990 the Authority initiated action to contract with a professional marketing service to publicize the positive side of its public housing.

#### STAFFING NEEDS

As of March 31, 1990, the Authority had about 435 employees, which tends to be high compared to authorities of similar size. HUD has approved the Authority's staffing on the basis of its expanded modernization program, and the need to reduce its vacancy rate, implement a new tenant placement plan, and provide increased security because of escalating drug problems. While we are not in a position to state whether the Authority's current staffing reflects optimum efficiency, we observed that recent staffing increases have been in areas warranting increased management attention.

Also, we noted that modernization funds designated for special management improvements are being used to fund about 55 employees. This funding is temporary, and as modernization work decreases, less staff should be needed.

Lastly, let me caution that it may not be appropriate to directly compare staffing levels of public housing authorities because of differences in the number, age, type, condition, and location of their developments. Other factors such as the size of the modernization program also influence staffing levels. Finally, staffing figures may not reflect use of outside contractors. For example, only the Buffalo Municipal Housing Authority and two of the other larger authorities within the jurisdiction of HUD's Buffalo Area Office use their own employees for security; the other five either contract out for security or use a combination of their own staff and outside contractors.

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In conclusion, we believe the Authority faces significant challenges in implementing the voluntary compliance agreement, reducing its high vacancy rate, and improving the overall condition of its developments. We believe to successfully address these challenges will require strong leadership and management within the Authority, effective oversight by HUD, and community support and involvement.

Senator Moynihan, that concludes my prepared remarks. We would be pleased to respond to any questions you may have.