



U.S. Department of Housing and Urban Development
Southwest District Office of Inspector General
819 Taylor Street, Suite 13A09
Fritz G. Lanham Federal Building
Fort Worth, Texas 76102
(817)978-9309 FAX (817)978-9316
<http://www.hud.gov/oig/oigindex.html>

October 10, 2000

01-FW-201-1801

MEMORANDUM FOR: Eileen Rogers
Director
Office of Public Housing, 6APH

FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: Congressional Inquiry
HOPE VI Roseland Homes Revitalization
Dallas Housing Authority
Dallas, Texas

In response to a request by Representative Pete Sessions, we performed a limited review of the 1998 HOPE VI application for Roseland Homes submitted by the Dallas Housing Authority (DHA). Representative Sessions requested we review the DHA's HOPE VI application to determine if it contained fraudulent and misleading information. His office had received a complaint from a constituent alleging that the HOPE VI Revitalization application contained false information specifically involving the property purchased within the Fitzhugh Capital Neighborhood. The complaint alleged the DHA did not comply with applicable regulations. Specifically:

- The sites are not adequate in size, exposure, and contour to accommodate the number and type of units proposed and adequate streets to service the sites are not available;
- The new sites will be located in an area of minority concentration and will cause a significant increase in the proportion of minority to non-minority residents in the area;
- The new sites do not promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low income persons;
- The sites are not free from adverse environmental conditions such as flooding, sewage hazards, and vehicular traffic; and
- There were no public meetings held with residents of the surrounding community and the newspaper ads did not say anything about building in the surrounding community.

Our objective was to determine whether the application contained fraudulent or misleading information concerning these items. Our review determined that the HOPE VI Revitalization Application filed by the DHA did not contain fraudulent or misleading information.

To achieve the objective, we reviewed applicable HUD regulations; interviewed residents of the Fitzhugh Capital Neighborhood; interviewed Public and Indian Housing staff at the Fort Worth Field Office; interviewed Dallas Housing Authority staff; examined the HOPE VI Notice of Funding Availability; examined the grant agreement and application; conducted a physical inspection of the properties; and attended a hearing conducted by the Fifth Circuit Court on the allegations.

If you have any questions, please call Jerry R. Thompson, Assistant District Inspector General for Audit, at (817) 978-9309.

Background.

In 1998, the Dallas Housing Authority submitted an application for the revitalization of Roseland Homes. Roseland Homes is a public housing project located in the city of Dallas, Texas. The application outlined plans to demolish the existing Roseland Homes complex and replace it with both on-site and off-site redevelopment units. The revitalization plan contained plans for the construction of 434 units on-site and 531 units off-site within the neighborhood surrounding Roseland Homes and within the Dallas regional area. There was no specific location designated in the application for the off-site units. However, the application did contain possible areas that might be considered. The possible sites contained in the application did not include property located within the Fitzhugh Capital Neighborhood. DHA's current plans include construction of 399 affordable units on the current Roseland Homes site, and 212 units off-site within the neighborhood.

Subsequent to the filing of the application, DHA requested an environmental review and appraisal of over 20 different properties. An environmental consulting firm, AFRAM International, performed the environmental review in April 1999. They found no areas of concern on any of the properties. The DHA forwarded the AFRAM environmental review to HUD. At the same time, DHA requested HUD arrange for a formal environmental review. Subsequently, HUD contracted with the Corps of Engineers to perform the formal environmental review on these properties. As with the previous environmental review, the Corps of Engineers found no areas of concern.

In determining locations for public housing within Dallas, DHA was required to consider the requirements contained in the Walker Consent Decree. The Walker Consent Decree prohibited housing and community development actions by City officials that discriminate or segregate on the basis of race. It outlined actions to be taken by the City of Dallas, its officers, officials, agents, employees' boards, and commissions to improve the availability and quality of low income housing and to further the availability of fair housing. The Decree specifically requires that housing units be placed in a non-minority concentrated area of the City. United States District Judge Jerry Buchmeyer issued the Decree on September 24, 1990.

Subsequent to the issuance of the Walker Consent Decree, however, United States District Court Judge Jerry Buchmeyer issued an Agreed Order Concerning Revitalization of Roseland Homes. This order was issued on March 10, 2000, as a result of a suit filed by the Walker plaintiffs against HUD. The Walker plaintiffs had filed a motion to prevent HUD from funding or approving any demolition, relocation, and any other action to implement the Roseland Homes HOPE VI Program contemplated in the DHA's original HOPE VI application. The March 10, 2000 order required DHA to demolish the existing Roseland Homes structures, except for three buildings, and specified the construction or acquisition of units in the Roseland neighborhood. The Order also defined the boundaries of the Roseland neighborhood.

In addition, Judge Buchmeyer held a hearing concerning the allegations on August 18, 2000. Representatives of the complainant (Fitzhugh Capital Neighborhood Association). HUD and the DHA

provided testimony related to the allegations. Judge Buchmeyer ruled that the application did not contain fraudulent or misleading information.

RESULTS OF REVIEW

Our review determined that the HOPE VI Revitalization Application filed by the DHA did not contain fraudulent or misleading information. In reviewing the application, it is important to keep in mind that it is only a proposed plan. The applicant is not required to pinpoint property for off-site units. In fact, in the case of the HOPE VI Revitalization Application filed by the DHA, the properties contained in the application were not the same as the off-site units subsequently purchased.

It is also important to consider the involvement of the U.S. District Court in this matter. In order to settle a suit brought by the Walker plaintiffs against HUD, the Court issued an Agreed Order Concerning Revitalization of Roseland Homes. This order defined the area in which DHA could place units, including the off-site units, for Roseland Homes. The area defined by the Court included the Fitzhugh Capital Neighborhood.

The complaint contained specific allegations regarding the application and the properties subsequently purchased.

Allegation 1 - In violation of 24 CFR 941.202(a), the sites are not adequate in size, exposure, and contour to accommodate the number and type of units proposed and adequate streets to service the sites are not available.

Results of Review:

Our review determined that this allegation is not valid. Title 24, CFR 941.202(a) requires that sites must be adequate in size, exposure, and contour to accommodate the number and type of units proposed. It also states that streets must be available to service the site.

An independent appraisal of the property, performed by CB Richard Ellis, Inc, indicates that the property is zoned MF-2 (A), for which there is no maximum dwelling unit density (as defined by the Dallas Development Code). In an interview, a representative of the Fitzhugh Capital Neighborhood Association stated that the number of units per acre should be limited to 15 per acre, the same as planned for the Roseland site. However, regulations do not limit the number of units per site. They only state that the sites must be adequate in size for the number of units. According to the Dallas Development Code, the sites are adequate in size for the number of units proposed.

The complainants indicated in the same interview that the exposure of the sites was not adequate due to inadequate street access. The independent appraisal however states that street access to the sites is good. In this same interview they stated that the sites were not adequate in contour because of the flooding problems and the lack of continuity. They said the Carroll site is not on one piece of land.

They said DHA purchased whatever lots were available, so they have ended up with a “jig-jag” style with single family homeowners sitting in the middle of apartments. Environmental reviews, performed both by the Corps of Engineers and an environmental consulting firm, state that the sites are in an area of minimal flooding. Also, the regulations do not require the sites to be on one lot, or to be contiguous.

Allegation 2 - The sites will be located in an area of minority concentration and will cause a significant increase in the proportion of minority to non-minority residents in the area, in violation of Title 24 CFR 941.202(c)(1) & (2).

Results of Review:

Our review determined that this allegation was not valid. HUD’s response to this allegation was that the 1998 HOPE VI grantees need not comply with Title 24, CFR, Part 941. The regulation is imposed on 1998 HOPE VI grantees, if at all, solely through the HOPE VI application and Grant Agreement. Title 24, CFR, Part 941 simply implements the U.S. Housing Act of 1937. Neither the 1937 Act nor Part 941 regulate the 1998 HOPE VI Program because the 1998 HOPE VI Program was created by Congress at the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act of 1998, Public Law 105-65. HUD responded that when replacement housing for the HOPE VI revitalization is located either back on-site or in the surrounding community, HUD relieves the PHA of its promises with regard to compliance with Title 24, CFR, Part 941.202 (c) - (d).

HUD also referred to the April 14, 1997 Federal Register that stated, “Since HUD intends to fund only those applications under this program that demonstrate the capacity to alleviate distressed conditions at the targeted development and in the surrounding neighborhood, replacement housing under HOPE VI which is located on the site will not require independent approval under site and neighborhood standards.”

Title 24, CFR, 941.202(c)(1) & (2) requires that sites not be located in an area of minority concentration, unless sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration, or the project is necessary to meet overriding housing needs which cannot otherwise feasibly be met in that housing market area. Also, the sites may not be in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

The Fitzhugh Capital Neighborhood is an area of minority concentration. And, while it is possible that the off-site tenants will change the proportion of minority to non-minority residents in the area, we were unable to determine if the change will be significant. These points become moot however since the 1998 HOPE VI grant agreement between HUD and DHA specifically relieves DHA from complying with the sites and neighborhood standards at 24 CFR, 941.202(c) - (d) when the replacement housing is located either on-site or in the surrounding community. Specifically, the grant agreement allows grantees to comply with either: (1) regulations regarding site and neighborhood standards (24 CFR 941.202 (b) - (d)) or (2) the site and neighborhood standards contained in the grant agreement. The

site and neighborhood standards contained in the grant agreement state, “Grantees are expected to ensure that their Revitalization Plans will expand assisted housing opportunities in non-poor and non-minority neighborhoods and/or will accomplish substantial revitalization in the Development and its surrounding neighborhood.”

Allegation 3 - The new sites do not promote greater choice of housing opportunities and avoid undue concentration of assisted person in areas containing a high proportion of low income persons, in violation of 24 CFR 941.202(d).

Results of Review:

Our review determined that this allegation was not valid. The complainant states that the neighborhood already contains a vast amount of Section 8 housing and the neighborhood is very low income. Census records do show that the neighborhood is low income. However, as with Allegation 2, the grant agreement relieves DHA from complying with the site and neighborhood standards at 24 CFR 941.202(c) - (d).

Allegation 4 - The sites are not free from adverse environmental conditions such as flooding, sewage hazard, and vehicular traffic, in violation of 24 CFR 941.202(e).

Results of Review:

Our review determined that this allegation was not valid. Title 24 CFR 941.202(e) requires that sites must be free from adverse environmental conditions. Prior to submitting the properties to HUD for approval, DHA contracted with AFRAM International Environmental Consultants to perform an environmental review of the sites. AFRAM found no indications of environmental concerns. Subsequent to the properties being submitted for approval, HUD contracted with the Corps of Engineers to perform a formal environmental review of the properties. As with the previous environmental review, findings indicated no environmental concerns.

The complaint mentions a flood that occurred in the area during 1995. However, to comply with environmental regulations, both the environmental reviews rely on data maintained by the Federal Emergency Management Agency (FEMA). FEMA has classified the property as “Zone C,” an area of minimal flooding.

The complaint states that the Corps of Engineers is fallible and cannot be relied upon. However, the finding of the environmental review performed by the AFRAM supported the Corps of Engineers review. Neither review noted any concerns.

Allegation 5 - There were no public meetings held with residents of the surrounding community and the newspaper ads did not say anything about building in the surrounding community, in violation of the Notice of Funding Availability requirement.

Results of Review:

Our review determined that this allegation was not valid. As required by the Notice of Funding Availability, the DHA held a public meeting regarding the revitalization of the Roseland Homes neighborhood on June 18, 1998. A notice published in The Dallas Morning News announced the public meeting. DHA also posted notices of the meeting at the Roseland Homes site and distributed them to the residents of Roseland Homes.

The complaint states that the meeting included only residents of Roseland Homes. However, the meeting was open to the general public. The only individuals who attended were the residents of Roseland Homes. DHA had no control over who chose to attend the meeting. The complaint also states that the ads regarding the meeting did not specify that the replacement housing was to be placed in the surrounding neighborhood. DHA is not required by the NOFA to specify locations for the proposed off-site units. In fact, the sites had not been selected when DHA held the meeting.

DISTRIBUTION

Secretary's Representative, 6AS
 Comptroller, 6AF
 Director, Accounting, 6AAF
 Director, Office of Public Housing, 6APH (4)
 Saul N. Ramirez, Jr., Deputy Secretary, SD (Room 10100)
 Kevin Simpson, Deputy General Counsel, CB (Room 10214)
 Jon Cowan, Chief of Staff, S (Room 10000)
 B. J. Thornberry, Special Asst. to the Deputy Secretary for Project Management, SD (Rm 10100)
 Joseph Smith, Acting Assistant Secretary for Administration, A (Room 10110)
 Hal C. DeCell III, A/S for Congressional and Intergovernmental Relations, J (Room 10120)
 Ginny Terzano, Sr. Advisor to the Secretary, Office of Public Affairs, S (Room 10132)
 Roger Chiang, Director of Scheduling and Advance, AL (Room 10158)
 Howard Glaser, Counselor to the Secretary, S (Room 10218)
 Rhoda Glickman, Deputy Chief of Staff, S (Room 10226)
 Todd Howe, Deputy Chief of Staff for Operations, S (Room 10226)
 Jacquie Lawing, Deputy Chief of Staff for Programs & Policy, S (Room 10226)
 Patricia Enright, Deputy A/S for Public Affairs, W (Room 10222)
 Joseph Hacala, Special Asst for Inter-Faith Community Outreach, S (Room 10222)
 Marcella Belt, Executive Officer for Admin Operations and Management, S (Room 10220)
 Karen Hinton, Sr. Advisor to the Secretary for Pine Ridge Project (Room 10216)
 Gail W. Laster, General Counsel, C (Room 10214)
 Armando Falcon, Office of Federal Housing Enterprise Oversight (Room 9100)
 William Apgar, Assistant Secretary for Housing/FHA, H (Room 9100)
 Susan Wachter, Office of Policy Development and Research (Room 8100)
 Cardell Cooper, Assistant Secretary for CPD, D (Room 7100)
 George S. Anderson, Office of Ginnie Mae, T (Room 6100)
 Eva Plaza, Assistant Secretary for FHEO, E (Room 5100)
 V. Stephen Carberry, Chief Procurement Officer, N (Room 5184)
 Harold Lucas, Assistant Secretary for Public & Indian Housing, P (Room 4100)
 Gloria R. Parker, Chief Information Officer, Q (Room 8206, L'Enfant Plaza)
 Frank L. Davis, Director, Office of Dept Operations and Coordination, I (Room 2124)
 Office of the Chief Financial Officer, F (Room 2202)
 Edward Kraus, Director, Enforcement Center, V, 200 Portals Bldg., Wash. D.C. 20024
 Donald J. LaVoy, Acting Director, REAC, X, 800 Portals Bldg., Wash. D.C. 20024
 Ira Peppercorn, Director, Office of MF Asst Restructuring, Y, 4000 Portals Bldg., D.C. 20024
 Mary Madden, Assistant Deputy Secretary for Field Policy & Mgmt, SDF (Room 7108) (2)
 Deputy Chief Financial Officer for Operations, FF (Room 2202)
 David Gibbons, Director, Office of Budget, FO (Room 3270)
 FTW ALO, AF (2)
 Public Housing ALO, PF (Room P8202) (2)
 Dept. ALO, FM (Room 2206) (2)

DISTRIBUTION (Cont'd)

Acquisitions Librarian, Library, AS (Room 8141)

Director, Hsg. & Comm. Devel. Issues, **US GAO**, 441 G St. NW, Room 2474
Washington, DC 20548 **Attn: Judy England-Joseph**

Henry A. Waxman, Ranking Member, Committee on Govt Reform,
House of Rep., Washington, D.C. 20515

The Honorable Fred Thompson, Chairman, Committee on Govt Affairs,
U.S. Senate, Washington, D.C. 20510

The Honorable Joseph Lieberman, Ranking Member, Committee on Govt Affairs,
U.S. Senate, Washington, D.C. 20510

Cindy Fogleman, Subcomm. on Gen. Oversight & Invest., Room 212,
O'Neill House Ofc. Bldg., Washington, D.C. 20515

The Honorable Dan Burton, Chairman, Committee on Govt Reform,
House of Representatives, Washington, D.C. 20515

Deputy Staff Director, Counsel, Subcommittee on Criminal Justice, Drug Policy & Human
Resources, B373 Rayburn House Ofc. Bldg., Washington, D.C. 20515

Steve Redburn, Chief, Housing Branch, Office of Management and Budget
725 17th Street, NW, Room 9226, New Exec. Ofc. Bldg., Washington, D.C. 20503

Inspector General, G

Dallas Housing Authority