



U. S. Department of Housing and Urban Development
Office of Inspector General for Audit, Midwest
77 West Jackson Boulevard, Room 2646
Chicago, Illinois 60604-3507

AUDIT RELATED MEMORANDUM
97-CH-184-1801

October 10, 1996

MEMORANDUM FOR: Joann Adams, Director, Public Housing Division,
Michigan State Office

FROM: Dale L. Chouteau, District Inspector General for Audit, Midwest

SUBJECT: Hamtramck Housing Commission
Hamtramck, Michigan

We completed a review of the Hamtramck Housing Commission's plan to use Comprehensive Grant Program funds to construct a multi-purpose facility that includes a police station for the City of Hamtramck. The review resulted from a citizen complaint to the HUD hotline. Our objective was to determine whether the use of Comprehensive Grant Program funds for the construction of the facility and the police station was an eligible use of the funds according to HUD's regulations.

The Hamtramck Housing Commission operates two low-income housing projects. The Commission has an elderly development with 150 units and a family development with 300 units. Records related to the Commission are located at 12025 Dequindre Avenue, Hamtramck, Michigan.

To achieve our objective, we reviewed the Commission's: Comprehensive Grant Program budgets for Fiscal Years 1993 and 1994; site acquisition documents; the architectural plans for the facility; the proposed lease agreement; and correspondence between the Commission and HUD regarding the facility. We also interviewed the Commission's Executive Director and appropriate HUD staff.

We concluded that the portion of Comprehensive Grant funds planned to be used to construct a police station would not be an eligible use of the funds. We also determined that HUD lacks assurance the rest of the facility will adequately benefit the Commission's low income residents. Details for our conclusions are contained in the attached finding.

Within 60 days, please provide us, for each recommendation made in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also please furnish us copies of any correspondence or directives issued because of the audit.

Should your staff have any questions, please have them contact me at (312) 353-7832.

Planned Use of Comprehensive Grant Funds Is Not Appropriate

The Hamtramck Housing Commission inappropriately plans to use Comprehensive Grant Program Funds of \$1,803,000 to construct a multi-purpose facility that will include a resident activity center and a police station for the City of Hamtramck. As planned, the facility will not be within close proximity of the Commission's projects and the portion of the funds used for the police station will not benefit the low income residents. Also, the Commission does not have commitments from social service agencies or other organizations to provide services and activities needed for residents. As a result, HUD lacks assurance that the expenditure of the Grant funds will be effective and meet HUD's program objectives.

HUD's Regulations

Regulation 24 CFR 968.301 (a) states that the purpose of the Comprehensive Grant Program is to provide modernization assistance to housing authorities for rehabilitation, upgrading, maintenance, and improvements of public housing developments for the benefit of low income families and to ensure the continued availability of housing for the families.

Regulation 24 CFR 968.310 lists the eligible costs for which the Comprehensive Grant funds can be used. The construction of a police station is not included as an eligible cost.

The Planned Use of Comprehensive Grant Funds is Improper

The Hamtramck Housing Commission inappropriately plans to use Comprehensive Grant funds to construct a 19,600 square foot multi-purpose facility that includes a police station. The estimated construction cost of the facility is \$1,803,000 and will be financed by Fiscal Year 1993 and 1994 Comprehensive Grant Program funds.

The planned facility will not be on the Commission's property. It is one-quarter of a mile from the elderly development and two miles from its family development. The facility is planned to be built on a parcel of vacant park land donated by the City of Hamtramck.

Seventy-five percent, or 14,700 square feet, of the facility

will be occupied by a resident activity center. The center will consist of a full size basketball court, vocational training area, drug rehabilitation area, social workers' office, computer training room, and conference rooms. The Commission's Executive Director said the facility will provide the low income residents and the City of Hamtramck residents adult education classes, family self sufficiency programs, computer training, drug awareness programs, family planning, counseling and social services.

The Director said the Commission will provide bus or shuttle service for its residents to go to the facility. However, the Director did not have specific plans that addressed required resources or how this would be accomplished. The Commission also did not have any commitments from social service agencies or other organizations to provide supportive services or conduct other activities that are planned for the facility. As a result, HUD lacks assurance that the planned resident activity center will adequately benefit the low income residents.

The Facility Includes A
Police Station

The remaining 25 percent of the space will be used for a City of Hamtramck police station. The police station will include three cells for holding prisoners with sanitary facilities, an evidence storage room, a fingerprint room, a control room with public desk area protected by bullet resistant windows, a vehicle garage, and two Officer locker rooms. The locker rooms will have sanitary facilities and lockers for 40 police officers. The City of Hamtramck has a total of 54 Police Officers. Based on one-quarter of the square footage cost of the building and an additional cost of \$50,000 for police construction requirements, we estimate the total cost of the police station to be \$488,250. Since the police station will not be located on the Commission's development sites, it will not be a direct benefit to the low income residents.

The Commission contends that the City is paying for the police station because it has donated the site for the facility and the police station will provide police presence that will provide round the clock security at no cost to the Commission. According to the Commission's proposed lease agreement with the City, the City's in-kind contribution will be approximately \$366,000. The

agreement states that the City: will transfer 2.9 acres of land worth in excess of \$271,000; will forgo tap fees of about \$80,000; and will reduce its building inspection fees by \$15,000. Additionally, the City will pay the Commission one dollar per year for the police station space. The term of the lease will be 25 years. The Commission did not have an appraisal to support the value of the donated land.

We believe the City's contribution does not adequately cover the cost of constructing the police station or the future rental value of the space. The City's in-kind contribution is approximately \$122,250 less than the immediate cost of construction and the rental charge for the 4,900 square feet over 25 years is \$1,748,050 less than the average cost for which the space should rent. Our calculation is based on an average rental rate for office space in the Hamtramck area of \$14.27 per square foot per year. We used the rental rate contained in the Metropolitan Detroit Office Market Review Newsletter published by Terice Tosto Management Information Systems.

As of October 4, 1996, the Michigan State Office has not approved the Commission's plan.

Recommendations

We recommend that the Michigan State Office's Director of Public Housing requires the Hamtramck Housing Commission to:

- 1A. Provide support that the resident activity center will substantially and primarily benefit the Commission's low income residents before approving the plan. The support should include a plan for transportation that addresses required resources. Additionally, the Commission should have commitments from supportive service agencies and other organizations to provide services and activities planned for the facility.

We also recommend that the Michigan State Office's Director of Public Housing:

- 1B. Not approve the use of Comprehensive Grant Funds

to pay any portion of the cost of a police station.

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Assistant Director in Charge, U.S. GAO, 820 1st St. NE, Union Plaza, Building 2, Suite 150,
Washington DC, 20002 (2)