

Date Issued: November 6, 1997

Audit Report Number 98-BO-101-0001

TO: Kevin E. Marchman, Acting Assistant Secretary for Public and Indian Housing, P

FROM: William D. Hartnett, District Inspector General, Office of Audit, IAGA

SUBJECT: HUD's Approval of Demolition Application
Crescent Court
Brockton Housing Authority
Brockton, Massachusetts

We reviewed the Demolition Application submitted by the Brockton Housing Authority (PHA) with the overall objective of determining whether the application is correct and factual, and whether HUD's decision to approve the demolition was justified.

We have concluded that the PHA misrepresented the facts in its Demolition Application. The actual condition of the project does not meet the statutory or regulatory requirement for demolition. The facts presented show that HUD needs to ensure that the project is not demolished and that \$982,080 in Section 8 Vouchers and Certificates, provided for relocation assistance, is recaptured.

On September 25, 1997, you agreed with our conclusion and rescinded the approval for the demolition, however, in your letter to the PHA you allow them to apply for demolition a second time. We are opposed to this alternative since our report already shows that the PHA did not justify demolition of Crescent Court under either physical or locational obsolescence, in accordance with the statute and regulations.

Within 60 days, please provide us, for each recommendation made in the report, a status report: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to this audit.

If you have any questions, please contact our office at (617) 565-5259.

Executive Summary

We performed a review of the Brockton Housing Authority's Demolition Application. The purpose was to determine whether:

- The Demolition Application was properly prepared and adequately supported.
- The conditions as stated in the Demolition Application were accurate and support a decision for demolition.
- The residents at Crescent Court had input into the preparation of the Demolition Application and their concerns were handled properly by HUD.

Audit results

We determined that the PHA's Demolition Application misrepresented the facts with respect to the criteria used by HUD to determine whether a Public Housing Asset should be demolished, specifically, physical, neighborhood obsolescence and demographic indicators of stress. HUD's decision was made without the benefit of on-site inspections or available documentary evidence in HUD's possession which would have shown that the decision was wrong. The PHA application was not developed in consultation with tenants as required by regulation. The tenants were not informed of the demolition of Crescent Court until September 4, 1996 less than a week before the HOPE VI Application submission deadline of September 10, 1996. The tenants and Tenant Council are strongly opposed to demolition and voiced their concerns to HUD.

Since the application was approved by HUD in January 1997, there were many clear indications brought to HUD's attention which should have caused HUD to re-evaluate the application process and rescind its approval. The tenant Council complained to the Massachusetts State Office, Director of Public Housing, and again to their Congressional Representatives that they did not want Crescent Court demolished and were not part of the process. In April 1997, the New England Secretary's Representative notified the prior Deputy Assistant Secretary for PHI that the application was flawed and the project was viable. In August 1997, an Army Corps of Engineers (COE) evaluation reported that the project

was sound. In spite of all of these "Red Flags", HUD officials still believe that the project could be a candidate for at least partial demolition.

Based on the COE report, the Acting Assistant Secretary for Public and Indian Housing rescinded his approval of the demolition application on September 25, 1997 but offered the PHA the alternative of reapplying for demolition. Therefore, there is still the potential for families being unnecessarily displaced from their current homes, against their wishes, and the loss of viable public housing stock.

Recommendations

We are recommending that HUD eliminate demolition as an option for the PHA because it does not meet the statutory or regulatory requirements for such and that HUD recapture the \$982,080 for the 56 Section 8 vouchers and certificates reserved for the relocation of displaced residents.

We held a meeting with the Deputy Assistant Secretary for Public Housing Investments (PHI) and staff on June 26, 1997. PHI staff admitted that the PHA may have misrepresented the application for total demolition. On September 12, 1997, we issued a Draft Report to the Acting Assistant Secretary for Public and Indian Housing. We received a written response from the Deputy Assistant Secretary on October 14, 1997, which generally agreed with our finding and recommendations. We have included the pertinent comments in the Finding and recommendation section of this report. The PHI's full response is included in Appendix A.

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Abbreviations

CCC	Citizens Conservation Corporation
CFR	Code of Federal Regulations
COE	Army Corps. of Engineers
CRI	Community Relations and Involvement
DEP	Drug Elimination Program
ED	Executive Director

FY	Fiscal Year
HUD	Housing and Urban Development
NOFA	Notice of Funding Availability
PHA	Public Housing Authority
PHI	Public Housing Investments
TDC	Total Development Costs

Introduction

The Hope VI Program began with the FY 1996 Notice of Funding Availability (NOFA), which provided funds to Public Housing for Demolition, Site Revitalization, and Replacement Housing. These activities were previously funded under the name "Urban Revitalization Demonstration". The 1996 Appropriations Act made significant changes to these activities by extending eligibility to all PHA's.

Under the FY 1996 HOPE VI NOFA, all PHAs requesting funds for any of these activities were required to attach a proposal to demolish obsolete public housing, under Exhibit N of the HOPE VI application. The NOFA made it clear that, whatever the outcome of the HOPE VI application, all demolition applications will be processed separately. Demolition applications are reviewed and graded at Demolition/Disposition Processing Centers. HUD provides notification of approval of the Demolition Application separately from the notification of selection for participation in the HOPE VI program.

Title 24 of the Code of Federal Regulations (CFR) Part 970.6, Specific Criteria for HUD Approval of Demolition Request, is based on its determination that one of three of the following criteria are met. The PHA must certify that the project is obsolete as to physical, neighborhood obsolescence and demographic indicators of stress.

The Brockton Housing Authority's (PHA) HOPE VI Demolition Application justified demolition of Crescent Court based on physical, neighborhood obsolescence and demographic indicators of stress. Crescent Court, Project MA 24-4, consists of 121 family and elderly units, in 14 buildings, which includes a community center for the residents, an on-site Manager's office, and maintenance facility.

On October 17, 1996, the PHA's FY 1996 HOPE VI application was disapproved for funding. On January 31, 1997, the Demolition Application for Crescent Court was processed and approved for demolition by HUD's Kansas City processing center without being funded. The Massachusetts State Office Public Housing assisted in the review by completing an environment assessment checklist of the project.

Audit objective

The specific objectives of our audit were to determine whether:

- The HOPE VI Demolition Application was properly prepared and adequately supported.
- The conditions, as stated in the HOPE VI Demolition Application, were accurate.
- The residents at Crescent Court were consulted in the preparation of the HOPE VI Demolition Application and

their concerns were properly handled by HUD.

Audit scope

To accomplish our audit objectives, we:

- Reviewed HUD's processing procedures for approval of a PHA application for demolition or disposition of Public Housing projects.
- Reviewed the concerns and allegations made by the President of the Tenant Council for Crescent Court.
- Interviewed PHA staff and reviewed PHA documentation supporting statements made in the HOPE VI Demolition Application.
- Interviewed HUD Headquarters, Kansas City and Massachusetts State Office staff regarding their role in the HOPE VI Demolition Application process.
- Interviewed Police Officials to determine if they agree with PHA's assessment of crime in its FY 1996 HOPE VI Demolition Application.
- Inspected the exterior and interior of Crescent Court to determine if the PHA's HOPE VI Demolition Application justified the proposed demolition of Crescent Court.

Audit period

Audit work was performed from May through June of 1997 and covered the period July 22, 1996 through January 31, 1997. Where appropriate, the review was extended to include other periods.

We conducted the audit in accordance with generally accepted government auditing standards.

The PHA Receives HUD's Approval To Demolish Housing That Is Viable

The PHA's application for the demolition of Crescent Court contained material misrepresentations designed to secure millions of dollars of funding from HUD, was publicly opposed by the tenants who were not properly consulted as required by regulation, and was approved by HUD based solely on the representations made in the application with no supporting documentation. This action is in violation of the Federal Statute and results in potential displacement for 121 families from their current homes, against their wishes, and the loss of viable and critically needed public housing stock. In addition, HUD provided approximately \$982,080 in HUD Section 8 funding prior to approval of the demolition application, for the relocation of tenants.

PHA SUBMITS APPLICATION FOR DEMOLITION

As part of its FY 96 HOPE VI application, the PHA submitted a proposal on August 28, 1996 to demolish Crescent Court, in accordance with the FY 96 NOFA. The PHA was required to justify the demolition of Crescent Court based on physical, neighborhood obsolescence, and demographic indicators of stress. The Demolition Application only needed to meet one of these three factors to be approved by HUD. 24 CFR 970 sets forth the requirements for HUD approval of the PHA's application for demolition.

APPLICATION APPROVED BY HUD

HUD approved the PHA Demolition Application on January 31, 1997, without any verification of the conditions presented in the Demolition Application. In particular, no on-site visits were conducted by HUD to support statements made in the Demolition Application. HUD relied solely on the certifications made by the PHA's Executive Director regarding the condition cited in the Demolition Application which were materially misrepresented.

**SECTION 8
RELOCATION
CERTIFICATES
PROVIDED BEFORE
APPROVAL OF
DEMOLITION
APPLICATION**

On October 8, 1996, HUD approved 56 Section 8 Rental Vouchers and Rental Certificate for families residing in public housing who may be relocated from units approved for demolition. The funding approval was three months before the demolition application was approved. The Massachusetts State Office, Director of Public Housing advised that the \$982,080 in funding for these vouchers and certificates was reserved by September 30, 1996 for all demolition applications in anticipation of approval. He further advised that he sought Headquarters' advice and was told that this was standard procedure for obligating funds by year end. The ACC for the Section 8 Vouchers and Certificates was executed and signed by the Director of Public Housing on February 11, 1997.

OIG CONCLUSION

The HUD process on reviewing, and approving demolition applications and funding relocation certificates is seriously flawed because decisions are made with no verification of the facts included in the application and funding was provided before the demolition application was approved.

The PHA did not justify the Demolition of Crescent Court in accordance with the federal requirements and misrepresented the facts surrounding the conditions of the project. According to the Executive Director, no engineering or environmental studies were performed by the PHA to support the statements contained in the Demolition Application, which was based solely on the experience and observations of the PHA staff.

Description of Property

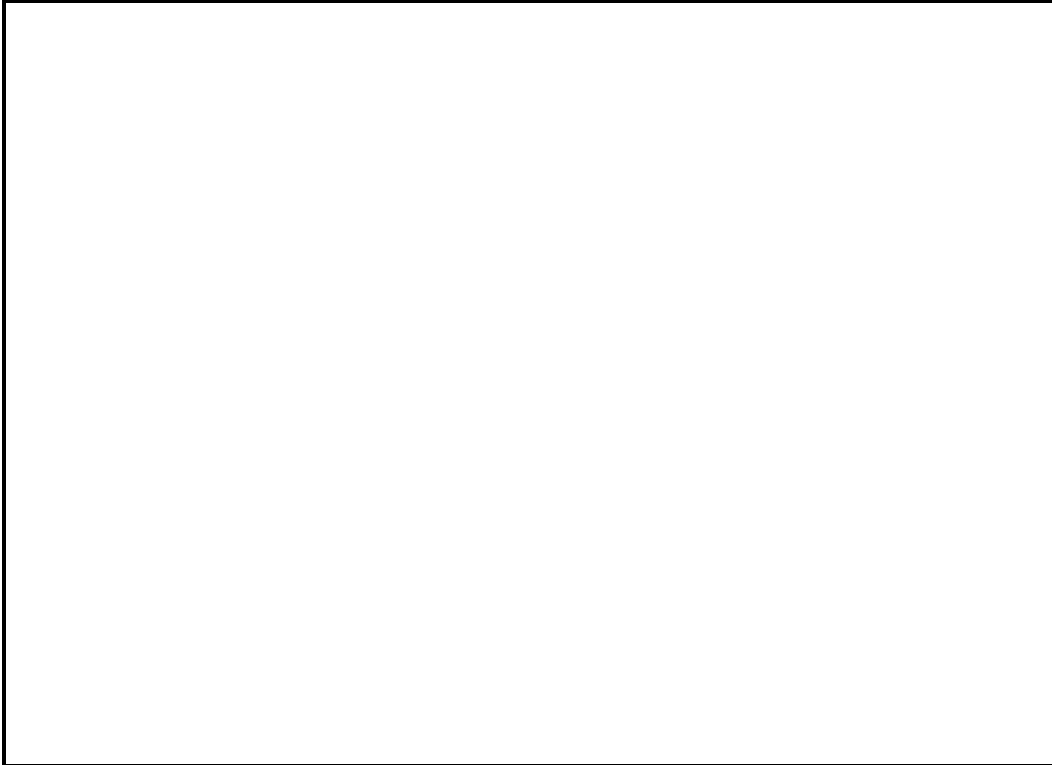
**PHA STATEMENT IN
DEMOLITION
APPLICATION**

Crescent Court was constructed in 1968, twenty-eight years ago. The units were originally designed using 1950 design concepts and housing standards, which are extremely inadequate by today's standards. The units are packed together in long rows of buildings that form prison-like walls and create large tracts of indefensible "no man's land."

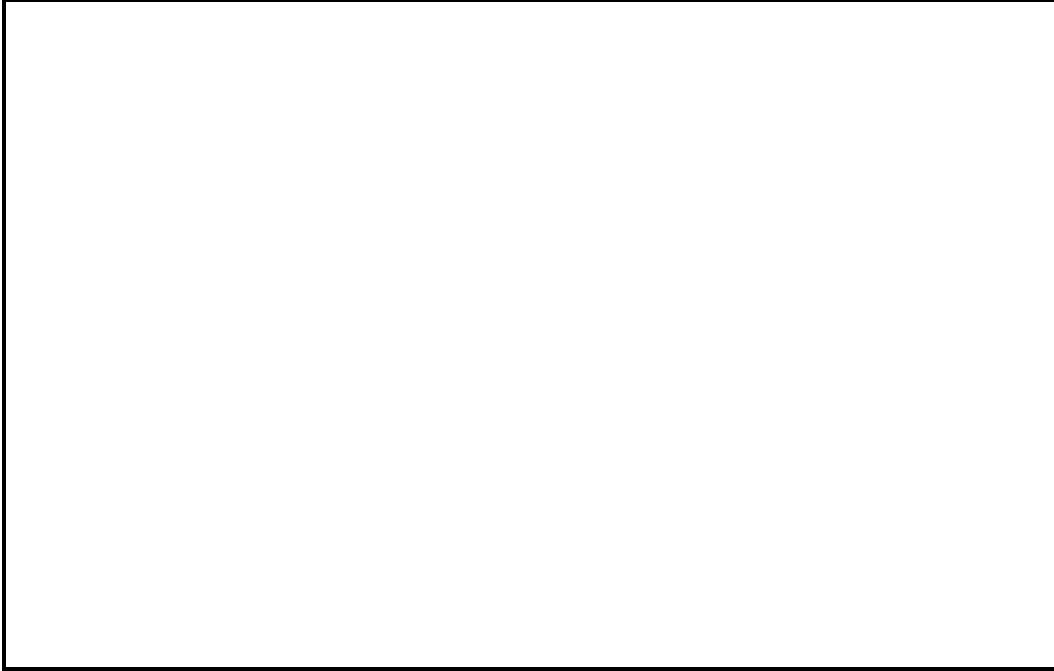
OIG EVALUATION

Contrary to the PHA's statements, Crescent Court is a viable development as shown in the photographs below.

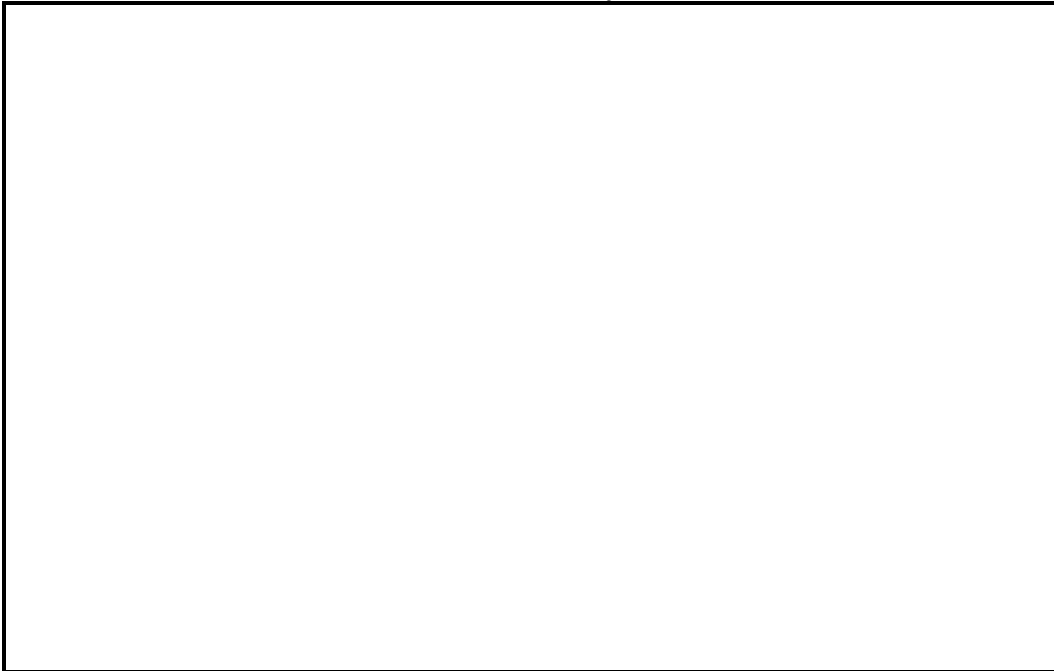
Frontal View



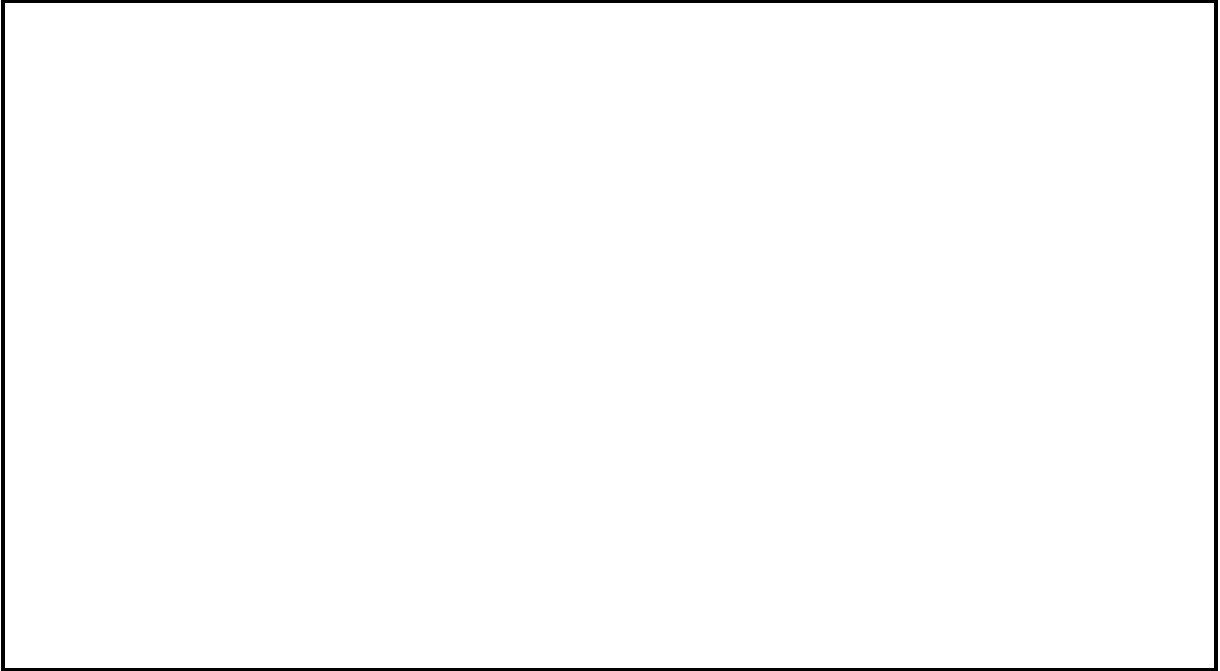
Backyard View



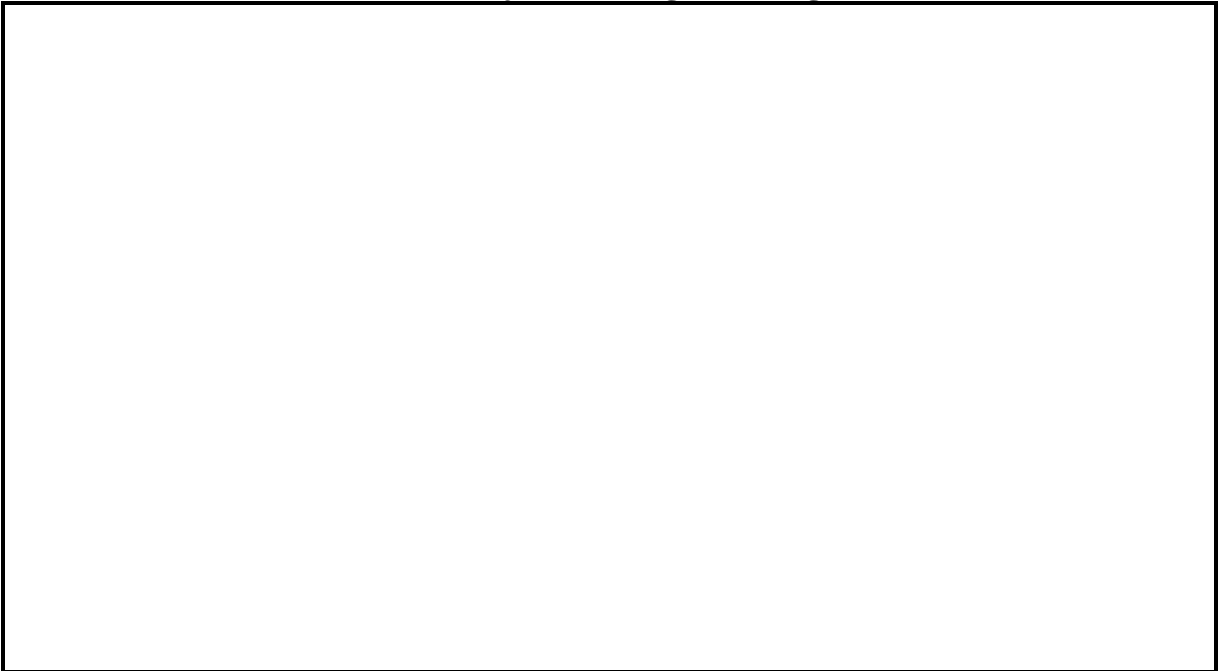
Back Of Community Center



**City Pool Located One Block From Crescent Court
(Note Low-rise Project Building in Background)**



**New 1998 Elementary School Directly Across From Crescent Court
(Note Low-rise Project Building Bounding the Site)**



**PHA STATEMENT IN
DEMOLITION
APPLICATION**

Heating/Hot Water System

Although the heat and hot water system were replaced in 1987, modernization under a performance contracting agreement, litigation between the manufacturer and the U.S. distributor, has resulted in a cessation of replacement parts being available. Consequently, when parts fail the entire boiler is incapacitated. The Authority has been saddled with a large maintenance burden to try to maintain the heating and hot water system in operation. Last season over 68 calls were received due to the failure of this system. In some cases, residents were left without heat or hot water for days and, in one case, it was close to a week while the boiler had to be replaced with another brand of boiler.

OIG EVALUATION

We found that all boilers in the buildings at Crescent Court are functional and the PHA misrepresented the facts. The 1992 letter the PHA provided from the Citizens Conservation Corporation (CCC) to support that all boilers at Crescent Court warrant replacement relates only for replacing the boilers at one of the 14 buildings which was a completely different system. CCC notified the PHA that the original manufacturer sold their manufacturing business in 1991, however parts are still available and could be obtained from the new manufacturer.

The PHA could not show that it was saddled with a large maintenance burden in maintaining the heating and hot water system. The PHA had no breakout by project of maintenance operating costs.

Our review disclosed the PHA's maintenance log supported the heating statistics, however, the 68 boiler calls averaged .5 hours per call (or 34 hours) logged for repair work. This item would not justify demolition of the project and the PHA misrepresented the facts to HUD.

Electrical System

**PHA STATEMENT IN
DEMOLITION
APPLICATION**

The existing electrical system is almost obsolete. A past modernization allowed the original ITE distribution panel to serve as a junction box and for a new 100 amp panel to be run from it. Not all circuits were transferred to the new panel. ITE circuit breakers are no longer manufactured and panel failure has begun to occur.

OIG EVALUATION

The Electrical System met codes in place at the time the buildings were constructed and the subsequent electrical service upgrades done in 1987 met codes in place at the time Crescent Court was renovated. We were informed by the Assistant Director of Economic Development and Real Estate that the electrical system's obsolescence was in the context of code changes which occurred subsequent to construction of the development, and these code changes would have to be adhered to in the event of extensive modernization. This item would not justify demolition of the project.

PHA STATEMENT IN DEMOLITION APPLICATION

Fire Alarm System

The fire alarm system is obsolete. Replacement to bring this system to code would require an all new annunciator system, new smoke detectors, and new heat detectors and updated wiring.

OIG EVALUATION

Current code changes would apply only in the event of extensive modernization. The PHA could not demonstrate the Fire Alarm System obsolescence based on lack of availability of components and a supply of annunciators. Our review disclosed that the PHA has a supplier of the annunciators and other system components. The PHA had no documentation to support that Crescent Court needed updated wiring. This item would not justify demolition of the project.

PHA STATEMENT IN DEMOLITION APPLICATION

Major Physical Problems

Another major physical problem is that Crescent Court was built on the site of razed houses and commercial businesses. It is now apparent substandard fill was use in major portions of the site to fill foundations or drastic grade changes. Along the entire west side of the site there has been a settlement of almost one foot, which continues to grow each year. Throughout the site the lack of a proper drainage system has caused erosion, flooding and settlement which continue to create safety hazards each year despite remedial repairs.

OIG EVALUATION

Our physical inspections disclosed no evidence of problems with any of the building foundations at Crescent Court or any signs that substandard fill was used to fill foundations. In direct contradiction to the Application, the Assistant Director of Economic Development and Real Estate agreed that there are no problems with the foundations and no additional fill

was placed in or around the foundations.

Our review disclosed that the PHA budgeted \$20,000 for gutters and drain spouts in the 1994 Comprehensive Grant Program. We were informed by PHA officials that the money was budgeted to appease the tenants and once the Demolition Application was approved, the money was re-obligated. This item would not justify demolition of the project and the PHA misrepresented the facts to HUD.

Neighborhood Obsolescence - Location

PHA STATEMENT IN DEMOLITION APPLICATION

The deterioration of the neighborhood has been caused by the encroachment of commercial and industrial businesses that have surrounded Crescent Court. Also, Crescent Court is isolated in the middle of a non-residential area.

The Executive Director advised Crescent Court has been encroached by business and commercial development which has chipped away at the housing element and decreased its marketability. The Executive Director added that a 1994 Traffic Study performed by Old Colony Planning Council shows the effects of commercial development on the area surrounding Crescent Court.

OIG EVALUATION

Our review disclosed that the PHA did not express its concerns regarding the change in character of the neighborhood from residential to industrial to HUD prior to submitting Brockton's FY 1996 HOPE VI Demolition Application. Excluding the Traffic Study performed in 1994 no Environmental Studies were commissioned to document the effects of industrialization on Crescent Court residents.

Our review disclosed that Crescent Court is not in the middle of an urban industrial park as Brockton's HOPE VI Demolition Application states. Crescent Court is bordered by the Post Office on the West, commercial businesses on the North, and a small chain of businesses and vacant buildings on the South. Directly behind these businesses and vacant buildings, the area is predominantly residential. Directly across from Crescent Court on the East, children and adults have access to a large city park which contains two swimming pools, large fields of green grass and a basketball court. Currently, a new elementary school is being constructed on a portion of the park. This item would not justify demolition of

**PHA STATEMENT IN
DEMOLITION
APPLICATION**

the project and the PHA misrepresented the facts to HUD (see photographs).

Demographic Indicators of Stress

Violent crime and substance abuse continue to plague the residents of Crescent Court. Young families do not want to live there because the address has a negative impact on employment applications and school admissions. Other groups feel that is an unsafe environment for their families.

The HOPE VI Demolition Application gives the impression Crescent Court is perceived as having a serious crime and drug problem. However, the PHA's Executive Director said that Crescent Court has a very successful Drug Elimination Program (DEP).

**HUD's MONITORING
REVIEW
CONTRADICTS PHA's
DEMOLITION
APPLICATION**

On February 26, 1997, one month after HUD's approval of the demolition application, the Massachusetts State Office, Director of Public Housing, transmitted the results of their monitoring review. The report concluded that:

The Brockton Housing Authority has extremely successful programs as outlined in their January 31, 1997 Semi-Annual Program Progress reports. The success of these programs are due to cooperative efforts of residents at both the Crescent Court and Hillside Village Developments, the Brockton Police Department, the support agencies in the City of Brockton, the staff of the Brockton Housing Authority and the staff working for Brockton Area Multi-Services.

According to the residents at Crescent Court and Hillside Village, both of these developments are considered the safest areas in the City of Brockton. Police Department officials agree that the selling of drugs is practically non-

existent, and both tenants and police officials feel safe walking these developments at any hour of the day or evening.

The combined community policing and tenant education programs have contributed to a relatively drug and crime free environment at the Authority's Developments. Also, these programs provide for the safety and protection of the public housing residents. The Brockton Police Department is responsible for coordinating this effort with the Authority and

**TENANT's CONCERNS
RAISED IN HUD's
MONITORING
REVIEW**

the residents. As a result of these programs, there is a noticeable reduction in crime at the BHA's developments.

The President of the Crescent Court Tenant Council voiced a strong concern that Crescent Court would soon be demolished by the Brockton Housing Authority.

On January 31, 1997, the Brockton Housing Authority's request, as a part of a HOPE VI Grant application, for total demolition of Crescent Court (MA06P024004) was approved by Kevin E. Marchman, Acting Assistant Secretary, Office of Public and Indian Housing. Additionally, the Brockton Housing Authority was advised to proceed with demolition of the Crescent Court development. As you know, BHA's HOPE VI application was not approved by HUD Washington, however, the demolition portion of the application was approved.

**HUD TELLS
COMMISSIONERS TO
HANDLE THE
MATTER**

Since the residents of Crescent Court have voiced such a strong concern regarding the demolition of Crescent Court, it was requested that the Board of Commissioners and Executive Director meet with the Crescent Court residents and local officials to brief them on this matter.

Tenant Consultation

CRITERIA

24 CFR 970.4 (a) states: "*HUD will not approve an application for demolition or disposition unless: The application has been developed in consultation with tenants of the project involved, any tenant organizations for the project, and any PHA-wide tenant organizations that will be affected by the demolition or disposition . . .*"

**RESIDENTS NOT
CONSULTED**

The Tenant Council President advised us that Brockton's HOPE VI Demolition Application was developed without resident consultation and participation. In addition, the tenants were informed of the demolition of Crescent Court on September 4, 1996 less than a week before the HOPE VI Application submission deadline of September 10, 1996.

- On September 3, 1996, PHA officials met with the Crescent Court Tenant Association and told them of their intention to apply for a \$15 million HOPE VI grant. Tenant Council President advised us that there was no mention of the demolition of Crescent Court at this meeting.

RESIDENTS NOT PROPERLY NOTIFIED

- On September 4, 1996, a public meeting was held to all tenants and to any interested members of the public. Tenant Council President advised that few members of Crescent Court attended the meeting because of inadequate notice. Tenants were not provided individual written notice but the notice was posted at Crescent Court Community Center informing the tenants of the meeting. At this meeting the PHA officials explained that the deterioration of Crescent Court could not be halted, the negative impact the present commercial sector had, and how HOPE VI would benefit Crescent Court residents.
- On September 6, 1996, PHA officials canvassed the development for tenant signatures in support of the demolition. The Tenant Council President advised that she/or the tenants did not fully understand the HOPE VI Demolition Application. The Tenant Council President also advised that 21 tenant residents signed the petition to demolish Crescent Court.

The Executive Director advised us that tenants and tenant council members did not develop the Demolition Application and were not involved in its preparation. Moreover, the PHA should have spent more time forming a collaboration between Crescent Court residents.

TENANT COUNCIL COMPLAINS TO HUD

On February 25, 1997, the Massachusetts State Office Director of Public Housing received a complaint from the Tenant Council, (Appendix B). In this complaint, the Tenant Council stated that it "*is not in support of the HOPE VI Application . . .*" and ended by requesting that, "*. . . US HUD intervene and assist the residents of Crescent Court in protecting this development by investigating the disputed facts in this HOPE VI proposal as stated in this letter.*"

HUD DOES NOT RESPOND

The Massachusetts State Office, Director of Public Housing, advised that the complaint was given to two supervisors and the tenant complaint was addressed in the Community Relations and Involvement (CRI) Monitoring review done. When we interviewed both of these individuals, however, they informed us that neither of them were instructed by anyone to answer the Tenant Council's complaint. The Facilities Management Division supervisor stated that he never saw, or knew of the complaint until we showed it to him and, although

he was aware of its existence, the Operations Division supervisor assumed it was being handled by the Director, the New England Secretary's Representative, or our office, since he knew we were all involved with the complaint. The CRI report was issued on February 26, 1997, one day after the complaint, and states that the President of Crescent Court Tenant Council voiced a strong concern about Crescent Court being demolished. Review of this report only raises questions on the demolition, and the tenant's request for an investigation was never responded to, or acted upon by the State of Massachusetts, Office of Public Housing.

**TENANTS APPEAL TO
CONGRESSIONAL
REPRESENTATIVES**

Apparently, once the tenants realized that their wishes and needs to save their homes from demolition were being ignored by HUD, they elevated their concerns to U.S. Congressional levels. After speaking with the staff of a U.S. Representative and a U.S. Senator representing the City of Brockton, the New England Secretary's Representative got involved in April 1997 and expressed her own concerns to the prior Deputy Assistant Secretary for Public Housing Investments (PHI):

**SECRETARY'S
REPRESENTATIVE
QUESTIONS
HEADQUARTERS'
OFFICIALS ON
DEMOLITION**

"I want to know if the units are in as good a shape as I am being told by several reliable sources. I am going down to see for myself next Thursday"

"I also spent about an hour on the phone with the Brockton Executive Director (ED)." I had been told that the application was the City's way of securing funds to do essentially an urban renewal deal. They could not find any other way to redevelop the neighborhood. The ED said his purpose was in sync with Henry Cisneros' vision to transform public housing and to allow the residents a choice in less concentrated housing. I told him he had misheard Henry; the HOPE VI Program was not a housing opportunity/choice program per se; rather it was to take down obsolete public housing and to build new neighborhoods of smaller scale housing, etc. If what the City is trying to accomplish is choice and neighborhood revitalization, there are other ways to do it without sacrificing good units."

"I am of the opinion that there is no need for local offices if we cannot amplify issues as they appear in the Field. I will not stand by and let people be displaced by actions of the Department when the Department is being led

down the garden path. We just put \$4 million in mod money there not too long ago. This is a 'viable' project from all external HUD measures. It is incumbent upon us in the Field to bring these issues to your attention and to follow-up on this stuff locally. I believe we have a moral obligation to look more closely at this situation . . . we owe it to the residents and to the taxpayers."

"I then called the Mayor to find out what was going on there. He had said when I met with him on Friday that the neighborhood used to be a high-crime area but that in the past 2 years, it has really calmed down. I discussed again with him the fact that he has a very blighted neighborhood a couple of streets over . . . Pleasant/Prospect . . . that needs a big infusion of money but it does not need HOPE VI."

"I do not see the role of the Housing Authority as that of the redeveloper of blighted neighborhoods; they have a capable redevelopment office there. I ran the mayor through several alternative funding sources he could access to fix up the neighborhood and leave the Crescent Court issue alone; he likes it!"

**PRIOR DEPUTY
ASSISTANT
SECRETARY FOR PHI
RESPONSE TO
SECRETARY
REPRESENTATIVE**

In response to the Secretary Representative's concerns, the prior Deputy Assistant Secretary for PHI stated:

"My guess is that there is a two-part misunderstanding going on. As you recall, the HOPE VI competition was restricted to people who had obsolete and distressed stock. Since, however, it is the only capital funding we have, many PHAs applied who had marginal stock; they would love to trade it in for something better, but they could manage it a while longer if that was the only option. They were expressly warned not to do this, i.e., we said you have to put in a demolition application and we will process it whether or not you are selected, since if you say it is obsolete to qualify for the grant, you can hardly retract that the moment you are not selected. Let us presume Brockton is one of these.

Selections come out and reality intervenes; we have a ton of PHAs with demolition applications they really did not mean, and us in a nice box. Being sensible people, we have allowed PHAs to come back and show us it was not really obsolete, they have found another way of dealing with the situation, etc. But we cannot just let them come in and say we lied, sorry.

You are right in education Brockton a bit. While our requirements on obsolescence this year are a bit lower . . . they do not warrant demolishing a viable building just to get some money from us.

The other point is that if they really do not intend to do this unless they get money from us, they are going to have to come clean pretty soon. Right now they would be barred from spending any mod money on the units and we will be pushing them to proceed with the demolition."

**HUD
HEADQUARTERS RE-
EVALUATION OF
DEMOLITION
APPROVAL**

On June 26, 1997, we presented the results of our review to the new Deputy Assistant Secretary for Public Housing Investments and her staff, including the Massachusetts State Office, Director of Public Housing. In addition, we left a copy of our extensive video tape of the Crescent Court Development and an audio tape of the PHA's public meeting with tenants on the demolition application, to illustrate the need to re-evaluate HUD's approval of this demolition application.

**NEW DEPUTY
ASSISTANT
SECRETARY FOR PHI
REACTS**

The Deputy Assistant Secretary was concerned that no on-site visits were performed by any HUD staff to validate the facts presented by the PHA in its application and instructed HUD to issue a contract with the Army Corps of Engineers to evaluate and report on Crescent Court. In addition, the Director of the Office of Capital Improvements stated that the PHA has not retracted its demolition application and told the Massachusetts State Office, Director of Public Housing to meet with the Tenant Council President, along with the Massachusetts Union of Public Housing Tenants, and PHA officials on Monday, June 30, 1997 to discuss other alternatives. The Director of the Office of Capital Improvements advised that he believed that the Tenant Council President, along with PHA officials, will recommend only partial demolition of Crescent Court.

**HUD's MEETING
WITH TENANTS**

On June 30, 1997, the Massachusetts State Office, Director of the Public Housing, met with the tenants and tenant council at Crescent Court, along with a staff member and the PHA Executive Director. The content of the meeting was provided to us by the Director of Public Housing on July 7, 1997. According to the Massachusetts State Office, Director of Public Housing, the ED opened the meeting by apologizing for submitting the demolition application. Then the Public Housing Director advised that, according to his write-up:

"Since the application for demolition was approved, the impact would be a "reduction of PFS, loss of CGP funds and the prohibition of any capital improvements other than emergency repairs."

**HUD OFFERS
PARTIAL
DEMOLITION AS A
SOLUTION**

"As expected, various concerns were raised with the loss of their homes, confusion on what is going on and one resident who wanted to organize tenants and go the political route to have the application withdrawn. I informed them all that I had met with HQ officials and that HUD has not approved anything other than 'modifications to demo' apps and that it would not be in everyone's interest to further delay the issue of demo by attempting to gain political support for the reversal of the approved demo. The only remaining issue is how to pay for the partial demo and improvements. We have of course offered our full support once the residents and Authority have agreed on a plan for partial demolition. In summary, everyone agreed that the residents and

**MASSACHUSETTS
STATE OFFICE,
DIRECTOR OF
PUBLIC HOUSING,
CLARIFIES THE
PURPOSE OF JUNE
MEETING**

Authority must work together towards submission of a request for modification to the approved demo."

In response to the draft report, the Massachusetts State Office, Director of Public Housing advised that:

"I had attempted to meet with residents the first week in June and the residents asked to have this meeting later in the month. I initiated this meeting because of a need to open communications between the residents and PHA The report does not state the purpose of our meeting nor does it reflect that I provided the residents with the best information available to me at the time, i.e., the PHA had to convince HUD that the project was no longer obsolete. We did not have the benefit of the CORP report prior to my meeting with the residents. I also was not aware the Headquarters would rescind the demo approval on the basis of the CORP report. If I had known, I certainly would have had a different meeting with the residents."

OIG EVALUATION

Notwithstanding having the CORPs of Engineers (COE) report at this time, there was sufficient information available to instruct the PHA to withdraw the misrepresented application. Instead, HUD continued to offer partial demolition as a solution.

**CORPS OF
ENGINEERS
REPORTS PROJECT IS
SOUND AND CAN
EXPECT 30 YEARS
ADDITIONAL LIFE**

On July 31, 1997, HUD contracted with the COE for \$18,300 to evaluate and report on Crescent Court by September 1, 1997, including the following requirements:

- Structural, heating and condition of hot water systems.
- Cost estimates to correct problems noted.
- State if project is obsolete and if it can be rehabilitated.

We reviewed the COE report, dated August 28, 1997, and found that it supported our overall conclusion that Crescent Court is not obsolete and should not be demolished. Overall, the report found the structural components to be in good condition and there are no apparent structural conditions that would inhibit the continued use of the facilities. The report recommended several immediate repairs and long-range

maintenance projects to correct current problems at Crescent Court; with total rehabilitation costs of only \$2.3 million. In its recommendations summary, the report states:

"At thirty years old the buildings are approximately half-way through their life expectancy. Structurally all the buildings in the development are sound and with normal maintenance should reach their life expectancy. There are a number of rehabilitation projects that should be considered to correct current problems and as part of a maintenance strategy."

Auditee Comments

In response to recommendations made in our draft report, the Department rescinded the demolition application for Crescent Court on September 25, 1997 and modified the demolition application review process by requiring the Field Offices to formally review and certify the proposed demolition or disposition actions.

The Department also offered the PHA another opportunity to submit a demolition application for Crescent Court, even if only partially, if it meets the requirements of the statute and regulations for physical or locational obsolescence. In addition, the Department does not plan to address the \$982,080 in Section 8 relocation assistance funds until *"the whole question of the obsolescence of Crescent Court can be laid to rest."*

In the opinion of the Department, the application package contained material to support the PHA's *"supposition of obsolescence,"* as well as other information required by the regulation.

OIG Evaluation of Auditee Comments

We agree with the actions taken by the Department to rescind approval of the demolition application for Crescent Court and to modify the demolition application review process, requiring the Field Offices to formally review and certify the proposed demolition or disposition actions. The rescission was based on the \$2.3 million in rehabilitation costs identified in the COE report, or 16 percent of the Total Development Costs (TDC), which is well below the 90 percent ceiling specified by

regulation to justify physical obsolescence.

We are unable to agree with the Department's opinion, in its comments of October 10, 1997, that the PHA's demolition application was supported and contained other information required by the regulation. Even the Department itself labeled the PHA's application as the "supposition of obsolescence" rather than factually documented obsolescence. We based our conclusions on facts, not opinions, which illustrate that Crescent Court does not meet the statutory and regulatory requirements for demolition under either physical or locational obsolescence and that the PHA misrepresented the facts in its application.

The Department's comments do not address the positive side of the neighborhood, including the construction of the Brockton Intermodal Transportation Center and a new elementary school directly across the street, and the continued opposition of the residents to demolition.

We also disagree with the PHA's offer of September 5, 1997 to sell the development to the resident organization for the TDC of \$12.7 million, since neither an estimate of rehabilitation costs or a market value was determined, as required by regulation.

In the May/June 1997 issue of the Journal of Housing and Community Development, the Secretary states that he does not want "demolition" to be the message of public housing. The continued preoccupation of the PHA with the demolition of Crescent Court is a contradiction to this important message from the Secretary.

As a result, our position continues to be that demolition of the development must be prevented and the \$982,080 in Section 8 relocation assistance funds should be recaptured.

Recommendations

The following recommendations reflect consideration of the Department's response to our draft report. We have revised our original recommendations to address events that have occurred since issuance of the draft report.

We recommend that you:

- 1A. Eliminate demolition as an option for the PHA in meeting the rehabilitation needs of Crescent Court because the project does not meet the statutory or regulatory requirements.
- 1B. Recapture the \$982,080 for the 56 Section 8 Certificates issued to the PHA, which were based on the demolition application.

Auditee Comments

Letter From The Resident Council of Crescent Court

TO: Director, Public Housing, Boston Office

The resident council of Crescent Court is not in support of the HOPE VI application that was first submitted by the Brockton Housing Authority (BHA) on September 9, 1996. The tenant council president was contacted on Friday, August 30, 1996 to set up a meeting for September 3, 1996 to talk about a grant that the BHA wanted to apply for that would benefit Crescent Court.

On September 3, 1996, the BHA met with the Crescent Court Tenant Council. At this meeting, the BHA told us of their intention to apply for the \$15 million HOPE VI Grant to benefit the residents of Crescent Court. At this meeting, there was no mention of demolition or no explanation other than Campus of Learning Center for a variety of services.

The next day, September 4, 1996 at 10:00 A.M., the Public Hearing was held by the BHA in our Community Center. This was the first time that demolition was mentioned to the tenants. At this meeting, the BHA had the Executive Director and seven department heads present. Only 17 tenants attended the public meeting.

The Crescent Court Tenant Council (CCTC) feels that the notice for the public hearing did not include enough information to adequately inform the residents of the subject matter of the meeting. Because of the lack of information, there was poor attendance from residents.

The BHA on September 6, 1996 in three BHA teams of 2, canvassed Crescent Court Development getting signatures of support. Many of the tenants afterward spoke to Tenant Council officers, and it was obvious that they did not understand HOPE VI. And when it was explained fully, they do not agree with the BHA's plans.

On Friday, September 6, 1996, the President of the Crescent Court Tenant Council was presented with a partnership agreement which she signed without knowing that it would be included in the HOPE VI Grant submission. The proposal was submitted September 9, 1996. A Freedom of Information Act request was sent to the Executive Director in order to get a copy of the HOPE VI proposal.

Because the Drug Elimination Program has been working so well for so long, we dispute the claims in the HOPE VI proposal that Crescent Court is an "indefensible space."

We have had 3 drug related criminal activity calls in the last two quarters (6 months). We feel that our homes are in very good condition. The development needs new boilers because the systems installed during 1989 - \$3.8 million CIAP were discontinued models and parts are no longer available for repairs.

We do need additional lighting, gutters, and downspouts for safety reasons. We feel that this development is in a marvelous location with all essential services, medical, educational, supermarkets, department stores within walking distance along with public transportation.

We have a city pool and Salisbury Park across Plymouth Street. The apartments are in excellent condition occasionally requiring paint. These units are spacious and comfortable to live in. We have individual planting areas for flowers and take pride in our gardens.

The Community Center is utilized by both programs and individual tenants. Since the HOPE VI proposal was developed without resident consultation and participation which violates both the tenant participation regulation (CFR-964) and HOPE

VINOFA. We request that U.S. HUD intervene and assist the residents of Crescent Court in protecting this development by investigating the disputed facts in this HOPE VI proposal as stated in this letter.

If you have any questions, please contact:

Madeline Greenlaw, President

Thank you for your time and consideration in this matter.

Sincerely,

Madeline Greenlaw, President, CCTC
Marilyn Allen, V.P.
Mary Holbrook, Treasury
Jeonett Bredshow, Representative
Carol Lemons, Tenant

HUD Rescinds Approval of Demolition Application

Distribution

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The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, United States
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The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs, United States
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HUD OIG Webmaster